



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

CANDELARIO S. DELA CRUZ,
LUBITA D. LANTAPON, DIEGO S.
DELA CRUZ, MAURICIA D. EPE,
RODRIGO S. DELA CRUZ, and
ARISTON S. DELA CRUZ,

Petitioners,

-versus-

ALEJANDRO DUMASIG and
ROSALINDA D. EPE,
Respondents.

G.R. No. 261491

Present:

LEONEN, *SAJ*, Chairperson,
LAZARO-JAVIER,
LOPEZ, M.,
LOPEZ, J., and
KHO, JR., *JJ*.

Promulgated:

DEC 04 2023

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DECISION

LAZARO-JAVIER, J.:

The Case

This Petition for Review on *Certiorari*¹ under Rule 45 of the Revised Rules of Court assails the following dispositions of the Court of Appeals in CA-G.R. CV No. 05495-MIN entitled “*Candelario S. Dela Cruz, Labita D. Lantapon, Diego S. Dela Cruz, Mauricia D. Epe, Rodrigo S. Dela Cruz and Ariston S. Dela Cruz v. Alejandro Dumasig and Rosalinda D. Epe*,” viz.:

- 1) Decision² dated October 29, 2020, declaring respondents Rosalinda

¹ *Rollo*, pp. 11–33.

² *Id.* at 41–48. Penned by Associate Justice Oscar V. Badelles and concurred in by Associate Justices Lily V. Biton and Richard D. Mordeno of the Twenty-Third Division, Court of Appeals, Cagayan de Oro City.

D. Epe (Rosalinda) and Alejandro Dumasig (Dumasig) as the rightful owners and possessors of the parcel of land covered by Transfer Certificate of Title (TCT) No. EP-250;³ and

- 2) Resolution⁴ dated June 8, 2022, denying the Motion for Reconsideration of petitioners Candelario S. Dela Cruz, Lubita D. Lantapon, Diego S. Dela Cruz, Mauricia D. Epe, Rodrigo S. Dela Cruz and Ariston S. Dela Cruz.

Antecedents

Respondent Rosalinda and petitioners are the children of Eniego P. Dela Cruz and Silvestra Dela Cruz (Sps. Dela Cruz) who passed away on July 31, 2009 and October 30, 2007, respectively.⁵ During the lifetime of Sps. Dela Cruz, they owned 35,153 square meters of agricultural land in Sitio Cogon, Barangay Lala Proper, Lala, Lanao del Norte, through an emancipation patent covered by TCT No. EP-250.⁶ Sometime in 1987, Sps. Dela Cruz obtained a loan and mortgaged two of their lots, including the property covered by TCT No. EP-250, with Cooperative Rural Bank (CRB) located at Tubod, Lanao del Norte. The loan was never paid. Thus, the bank foreclosed the real estate mortgage.⁷

Fearing the loss of their properties, Sps. Dela Cruz visited Rosalinda in her home at Iligan City to ask for help to pay the loan and to redeem the foreclosed properties. In exchange, they promised her that the same will be her share in the inheritance. Rosalinda felt sorry for her parents' predicament so she agreed to pay the loan.⁸ The receipt issued for the payment indicated Silvestra Dela Cruz as the payor.⁹ After paying the loan, CRB returned the original copies of the TCTs of the mortgaged properties to Sps. Dela Cruz, who, in turn, gave them to Rosalinda.¹⁰

On December 27, 2003, the three of them went to see a lawyer, Atty. Gregorio Pizarro, who drafted a Deed of Sale with Assumption of Mortgage, involving the property covered by TCT No. EP-250 (subject property), which was signed by all parties and duly notarized.¹¹ In 2004, Sps. Dela Cruz remortgaged the subject property to a certain Erlito Llanes (Llanes) for the sum of PHP 350,000.00.¹² Meanwhile, Rosalinda possessed the subject

³ *Id.* at 48.

⁴ *Id.* at 55–57. Penned by Associate Justice Oscar V. Badelles and concurred in by Associate Justices Lily V. Biton and Richard D. Mordeno of the Former Twenty-Third Division, Court of Appeals, Cagayan de Oro City.

⁵ *Id.* at 42.

⁶ *Id.*

⁷ *Id.* at 42–43.

⁸ *Id.* at 43.

⁹ *Id.* at 34.

¹⁰ *Id.* at 43.

¹¹ *Id.* at 43.

¹² *Id.* at 34.

property for one cropping season only in the same year, which she then returned to her parents. Sps. Dela Cruz possessed the property until their respective deaths in 2007 and 2009.¹³

On August 22, 2011, Rosalinda mortgaged the subject property to respondent Dumasig for the amount of PHP 700,000.00 and they executed an Agreement of Loan with Real Estate Mortgage, which she signed as the borrower-mortgagor with Dumasig as the lender mortgagee. It was witnessed by their respective children and duly notarized by Atty. Bienvenido L. Bontilao.¹⁴ Out of the amount of PHP 700,000.00, PHP 100,000.00 was used to pay a loan to Paulino Saladaga (Saladaga) while PHP 500,000.00 was paid to Llanes.¹⁵

On the other hand, petitioners countered that when their parents were still alive, they tilled, cultivated, and planted rice on the subject property. After the death of their father Eniego, they entrusted to their sister Rosalinda the management and cultivation of the land. Sometime in 2011, they discovered that Dumasig began occupying and cultivating the land without their knowledge, much less consent. Upon asking him, he told them that Rosalinda mortgaged to him a 30,000-square meter portion of the subject land.¹⁶

In December 2016, petitioners demanded that Dumasig return the physical possession and ownership of the subject property since it is their inherited property from their parents Sps. Dela Cruz, but he refused. However, he failed to produce a copy of the Deed of Real Estate Mortgage and the Deed of Absolute Sale which he and Rosalinda allegedly executed. The dispute was brought before the barangay, but no settlement was reached.¹⁷

Thus, they filed a complaint for *accion reivindicatoria* with damages before the Regional Trial Court of Lanao del Norte, Branch 21, docketed as Civil Case No. 21-508.¹⁸

Ruling of the Trial Court

By Decision¹⁹ dated August 14, 2019, the trial court granted petitioners' complaint, declared petitioners as co-owners of the subject property, and ordered the partition of the same and for Dumasig to vacate and surrender possession of the portion of the land mortgaged to him, *viz.*:

¹³ *Id.* at 35.

¹⁴ *Id.* at 43.

¹⁵ *Id.* at 35.

¹⁶ *Id.* at 43-44.

¹⁷ *Id.* at 44.

¹⁸ *Id.* at 34.

¹⁹ *Id.* at 34-39. Penned by Acting Presiding Judge Alberto P. Quinto of Branch 21, Regional Trial Court, Lanao del Norte.

WHEREFORE, based on the foregoing, judgment is hereby rendered, as follows:

- (1) The plaintiffs, on one hand, and Rosalinda D. Epe, on the other hand, are hereby declared as co-owners of the land covered by Transfer Certificate of Title No. EP-250 in the name of Eniego P. Dela Cruz married to Silvestra Suelo Dela Cruz and located in Cogon, Lala, Lanao del Norte;
- (2) The plaintiffs and Rosalinda are directed to partition the above-described land;
- (3) Defendant Alejandro Dumasig is hereby directed to vacate and surrender possession of the above-described land to the plaintiffs;
- (4) Defendants Alejandro Dumasig and Rosalinda D. Epe are hereby directed to pay litigation expenses in the sum of P100,000.00, solidarily, in favor of the plaintiffs.

SO ORDERED.²⁰ (Emphasis in the original)

It ordained that the sale of the subject property by Sps. Dela Cruz to Rosalinda was void since the parties did not intend to be bound by the agreement as revealed by the Sps. Dela Cruz continued possession, cultivation and enjoyment of the land after the execution of the Deed of Sale until their respective deaths.²¹ In any case, the sale was void since it violated Presidential Decree No. 27,²² which prohibited the transfer of land acquired pursuant to the law except by hereditary succession or to the government in accordance with its provisions and other pertinent laws and regulations.²³ Consequently, the sale being void, the subsequent acquisition and possession of the same by Dumasig was also void.²⁴

Ruling of the Court of Appeals

By Decision²⁵ dated October 29, 2020, the Court of Appeals reversed and set aside the trial court's dispositions and dismissed petitioners' *accion reivindicatoria* with damages.²⁶ First, the fact that Sps. Dela Cruz continued to till the land allegedly did not negate the fact of sale between them and Rosalinda since the same was in keeping with traditional Filipino family values for a daughter to help her parents retain their source of livelihood. Too, the Deed of Sale was duly notarized and thus enjoys the presumption of

²⁰ *Id.* at 38.

²¹ *Id.* at 37.

²² Decreeing the emancipation of tenants from bondage of the soil, transferring to them the ownership of the land they till and providing the instruments and mechanism therefor.

²³ *Rollo*, p. 37.

²⁴ *Id.* at 38.

²⁵ *Id.* at 41-48.

²⁶ *Id.* at 48.

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regularity.²⁷ *Second*, the assailed sale did not violate Presidential Decree No. 27 since the subject property was sold to one of Sps. Dela Cruz's heirs, Rosalinda, hence, it fell within the exceptions to the prohibition on transfer of lands covered by the law. Consequently, the transfer of the property to Dumasig was also valid.²⁸ In fine, it declared Rosalinda and Dumasig as the rightful owners and possessors of the subject property.

By Resolution²⁹ dated June 8, 2022, the Court of Appeals denied petitioners' motion for reconsideration. It added that since the sale occurred 16 years after Sps. Dela Cruz obtained title to the land and after fully paying its price, the same was outside the 10-year prescriptive period under Presidential Decree No. 27 in relation to Department of Agrarian Reform (DAR) Administrative Order (AO) No. 08-1995.³⁰

The Present Petition

Petitioners now seek affirmative relief from the Court and pray that the assailed dispositions of the Court of Appeals be reversed and a new one rendered, reinstating the Decision dated August 14, 2019 of Regional Trial Court for Lanao del Norte, Branch 21 in Civil Case No. 21-508.³¹

They argue that the sale between Sps. Dela Cruz and Rosalinda is void for lack of consideration since the purchase price for the same came from the loan proceeds obtained by Sps. Dela Cruz and not from Rosalinda's pocket.³² In truth, Sps. Dela Cruz did not really intend to sell the land since they continued to cultivate the same after the purported sale, and re-mortgaged the same in 2004.³³ More, they executed an Amended Waiver of Rights and Interest dated July 13, 2005 over the subject property in favor of Diego when he asked about his share in the inheritance.³⁴

Further, the sale is purportedly void since it was sold in violation of Presidential Decree No. 27. The exception to the prohibition against sales or transfers of land covered by the said law is limited to transfers to the government or to the heirs by hereditary succession. While Rosalinda is undisputedly an heir of Sps. Dela Cruz, the transfer of the land to her was by no means through hereditary succession but through sale, and hence, outside the exception.³⁵

²⁷ *Id.* at 45.

²⁸ *Id.* at 47.

²⁹ *Id.* at 55-57.

³⁰ *Id.* at 57.

³¹ *Id.* at 26.

³² *Id.* at 17-18.

³³ *Id.* at 19.

³⁴ *Id.* at 20.

³⁵ *Id.* at 21.

At any rate, the sale to Rosalinda allegedly deprived petitioners of their legitimes since at the time of Sps. Dela Cruz' death, the subject parcel of land was their only remaining property.³⁶ Since the sale to Rosalinda is void, Dumasig's possession and ownership of the same is likewise void.³⁷

Issue

Based on the facts and evidence on record, are Rosalinda and Dumasig the rightful owners and possessors of the subject property?

Ruling

We reverse.

While the Court is generally not a trier of facts, it may pass upon questions of fact when the findings of fact of the Court of Appeals are contrary to the findings and conclusions of the trial court or are not supported by the evidence on record,³⁸ as in this case.

Here, the trial court found that the sale between Sps. Dela Cruz and Rosalinda was absolutely fictitious since their subsequent actions revealed their lack of intent to be bound by the agreement. On the other hand, the Court of Appeals ordained that the sale was valid and binding.

The Court of Appeals is incorrect.

In *Heirs of Spouses Intac v. Court of Appeals*,³⁹ the Court explained that in absolute simulation, there is a colorable contract but it has no substance as the parties have no intent to be bound by it. The main characteristic of an absolute simulation is that the apparent contract is *not really desired* or intended to produce legal effects or in any way alter the juridical situation of the parties. As a result, an absolutely simulated or fictitious contract is void, and the parties may recover from each other what they may have given under the contract. Thus, since there was *no consideration* and *no intent to sell* the subject property, there was no valid sale between the parties.

In determining whether a contract is absolutely simulated, the totality of the prior, contemporaneous and subsequent acts of the parties must be

³⁶ *Id.* at 24.

³⁷ *Id.* at 26.

³⁸ *See Bank of the Philippine Islands v. Leobrera*, 425 Phil. 679 (2002) [Per J. Pardo, First Division].

³⁹ 697 Phil. 373, 384 (2012) [Per J. Mendoza, Third Division].

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considered.⁴⁰ In this case, the following circumstances indicate that Sps. Dela Cruz never intended to sell the subject property to Rosalinda:

- (1) the money she used to pay the loan with CRB were proceeds of the loan from Saladaga, which she acquired by using the subject property as collateral;⁴¹
- (2) Sps. Dela Cruz continued to possess the subject property and exercised rights of ownership over the same even after the sale in 2003 until their respective deaths;
- (3) in fact, they re-mortgaged the same to Llanes for PHP 350,000.00 in 2004;
- (4) Rosalinda, on the other hand, possessed the land for one cropping only and returned the same to Sps. Dela Cruz immediately after;
- (5) while still alive, Sps. Dela Cruz executed an Amended Waiver of Rights and Interest involving the subject property in favor of Diego to form part of his share in the inheritance; and
- (6) it was only after Sps. Dela Cruz' death that Rosalinda took over the land and mortgaged the same to Dumasig.

Verily, Rosalinda's failure to exercise any act of dominion over the property after the sale belies any intention to be bound by the Deed of Sale between her and Sps. Dela Cruz.

In any case, the sale is void for violating the provisions of Presidential Decree No. 27, which clearly provide:

Title to land acquired pursuant to this Decree or the Land Reform Program of the Government shall **not be transferable except by hereditary succession or to the Government** in accordance with the provisions of this Decree, the Code of Agrarian Reforms and other existing laws and regulations. (Emphasis and underscoring supplied)

In *Abella v. Heirs of Francisca C. San Juan*,⁴² citing *Estate of the Late Encarnacion Vda. De Panililio v. Dizon*,⁴³ we explained that sales or transfers of lands made in violation of Presidential Decree No. 27 and Executive Order

⁴⁰ See *Clemente v. Court of Appeals*, 771 Phil. 113, 125 (2015) [Per J. Jardeleza, Third Division]; *Valerio v. Refresca*, 520 Phil. 367 (2006) [Per J. Puno, Second Division]; *Ramos v. Heirs of Ramos, Sr.*, 431 Phil. 337 (2002) [Per J. Panganiban, Third Division].

⁴¹ *Rollo*, p. 17.

⁴² 781 Phil. 533 (2016) [Per J. Jardeleza, Third Division].

⁴³ 562 Phil. 518 (2007) [Per J. Velasco, Jr., Second Division].

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No. 228⁴⁴ in favor of persons *other than the Government by other legal means* or to the *farmer's successor by hereditary succession* are null and void. The prohibition even extends to the surrender of the land to the former landowner.

In *Digan v. Malines*,⁴⁵ the Court further elucidated that the general rule is that any transfer of ownership over tenanted rice and/or corn lands after October 21, 1972 to persons *other than the heirs of the landowner, via hereditary succession*, is prohibited. However, when the conveyance was made in favor of the *actual tenant-tiller* thereon, such sale is valid.

The law is clear. There are thus only *three exceptions* to the prohibition against transfer of ownership over lands covered by Presidential Decree No. 27, *viz.: first*, to the Government; *second*, to the heirs of the landowners via hereditary succession; and *third*, to the actual tenant-tiller of the same.

Verily, the Court of Appeals erred in upholding the sale between Sps. Dela Cruz and Rosalinda under the *ratio* that she is their heir. To be valid, the transfer to the landowner's heirs must be *via hereditary succession*, not via sale, as in this case. Neither do the other two exceptions apply. For it is undisputed that at the time of the sale, Rosalinda was not the actual tenant-tiller of the subject property but Sps. Dela Cruz.

In fine, the sale between Sps. Dela Cruz and Rosalinda is void. The Agreement of Loan with Real Estate Mortgage between Rosalinda and Dumasig is also void since Rosalinda was not the absolute owner of the land she mortgaged to Dumasig.⁴⁶ Thus, petitioners and Rosalinda, as the children of Sps. Dela Cruz, are the co-owners of the subject property in accordance with Article 1087⁴⁷ of the Civil Code.

As regards petitioners' claim regarding their legitimes, we will not rule on the same as it involves issues of fact which should be ventilated in appropriate judicial proceeding.

⁴⁴ Declaring full land ownership to qualified farmer beneficiaries covered by Presidential Decree No. 27; determining the value of remaining unvalued rice and corn lands subject to P.D. No. 27; and providing for the manner of payment by the farmer beneficiary and mode of compensation to the landowner.

⁴⁵ 822 Phil. 220, 231 (2017) [Per J. Martires, Third Division].

⁴⁶ CIVIL CODE, art. 2085. The following requisites are essential to the contracts of pledge and mortgage:

- (1) That they be constituted to secure the fulfillment of a principal obligation;
- (2) That the pledgor or mortgagor be the absolute owner of the thing pledged or mortgaged;
- (3) That the persons constituting the pledge or mortgage have the free disposal of their property, and in the absence thereof, that they be legally authorized for the purpose.

Third persons who are not parties to the principal obligation may secure the latter by pledging or mortgaging their own property.

⁴⁷ CIVIL CODE, art. 1087. Where there are two or more heirs, the whole estate of the decedent is, before its partition, owned in common by such heirs, subject to the payment of debts of the deceased.


ACCORDINGLY, the Petition is **GRANTED**. The Decision dated October 29, 2020 and Resolution dated June 8, 2022 of the Court of Appeals in CA-G.R. CV No. 05495-MIN are **REVERSED**. The Decision dated August 14, 2019 of the Regional Trial Court, Branch 21, Lanao del Norte, in Civil Case No. 21-508 is **REINSTATED**.

SO ORDERED.



AMY C. LAZARO-JAVIER
Associate Justice


WE CONCUR:




MARVIC M.V.F. LEONEN
Senior Associate Justice
Chairperson



MARION V. LOPEZ
Associate Justice



JHOSEP V. LOPEZ
Associate Justice



ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

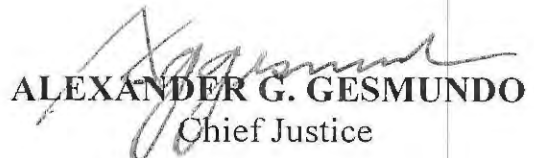
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARVIC M.V.F. LEONEN
Senior Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 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 Court's Division.



ALEXANDER G. GESMUNDO
Chief Justice

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