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SECOND DIVISION

[G.R. No. 170693. August 9, 2010]

EMILIA MICKING *VDA. DE* CORONEL and BENJAMIN CORONEL, *petitioners, vs.* **MIGUEL TANJANGCO, JR.,** *respondent.*

SYLLABUS

1. LABOR AND SOCIAL LEGISLATION; AGRARIAN LAWS; REPUBLIC ACT NO. 3844; DISPOSSESSION OF AGRICULTURAL LESSEE; CONVERSION AS GROUND FOR DISPOSSESSION; REQUIRES PRIOR COURT PROCEEDINGS IN WHICH THE ISSUE OF CONVERSION HAS BEEN DETERMINED AND A FINAL ORDER ISSUED DIRECTING DISPOSSESSION UPON THAT GROUND. — Section 36 of R.A. No. 3844 governs the dispossession of an agricultural lessee and the termination of his rights to enjoy and possess the landholding, whereas Section 27 enumerates certain prohibited transactions involving the landholding. They provide as follows: "**Section 27.** *Prohibitions to Agricultural Lessee* — It shall be unlawful for the agricultural lessee: **(2) To employ a sub-lessee on his landholding: Provided, however, That in case of illness or temporary incapacity he may employ laborers whose services on his landholding shall be on his account.** x x x **Section 36.** *Possession of Landholding; Exceptions* — **Notwithstanding any agreement as to the period or future surrender, of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that: (1) The agricultural lessor-owner or a member of his immediate family will personally cultivate the landholding or will convert the landholding, if suitably located, into residential, factory, hospital or school site or other useful non-agricultural purposes x x x. (7) The lessee employed a sub-lessee on his landholding in violation of the terms of paragraph 2 of Section twenty-seven**." [T]he conversion of the subject landholding under the 1980 *Kasunduan* is not the

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conversion of landholding that is contemplated by Section 36 of the law. *Alarcon v. Court of Appeals* defined conversion as the act of changing the current use of a piece of agricultural land into some other use as approved by the DAR. More to the point is that for conversion to avail as a ground for dispossession, the opening paragraph of Section 36 implies the necessity of prior court proceedings in which the issue of conversion has been determined and a final order issued directing dispossession upon that ground. In the case at bar, however, respondent does not profess that at any time there had been such proceedings or that there was such court order. Neither does he assert that Lot No. 38—and Lot Nos. 37 and 39 for that matter—had undergone conversion with authority from the DAR.

2. ID.; ID.; ID.; ID.; DISPOSSESSION ON ACCOUNT OF HAVING EMPLOYED A SUBLESSEE; REQUIRES A FINAL JUDGMENT OF THE COURT IN THAT RESPECT. — [I]t is evident from the records that the lease agreement over Lot No. 38 in favor of Jess Santos was executed not by petitioners but rather by respondent himself. It was respondent's name that appears therein as the lessor, with Jess Santos acceding to operate a fishing pond on the land. With respect to the lease agreement with Daniel Toribio executed after the expiration of the first lease, we find that although it was Boy Coronel who signed in as lessor, still, this will not suffice as a ground to dispossess petitioners of the three lots and eject them from the property inasmuch as, to reiterate, dispossession on account of having employed a sublessee under Sections 36 and 27 of R.A. No. 3844 requires a final judgment of the court in that respect.

3. ID.; ID.; ID.; ID.; GROUNDS FOR DISPOSSESSION; ONE WHO PROCLAIMS HIMSELF TO BE THE LANDOWNER HAS THE BURDEN TO PROVE THE EXISTENCE THEREOF. — [S]ince the inception of this case, respondent has been grasping at straws in his attempt to dispossess petitioners not only of Lot No. 38 but also of Lot Nos. 37 and 39. He has been insistent that there was an existing leasehold agreement covering Lot Nos. 37 and 39 which was violated by petitioners when they supposedly constituted leases on these lands. But we have to approve of the Court of Appeals' finding that aside from this bare and unassisted claim, respondent was not able to substantiate his thesis. Section 37

of R.A. No. 3844 clearly rests the burden on respondent, who proclaims himself to be the landowner, to prove the existence of the grounds for dispossession and ejectment, yet clearly was unable to discharge this burden as he has not at any time shown either a final order of conversion by the DAR or a court judgment authorizing the tenants' ejectment on the ground of conversion.

4. ID.; ID.; REPUBLIC ACT NO. 3844 AND PRESIDENTIAL DECREE NO. 27 (THE EMANCIPATION OF TENANTS DECREE); APPLIED IN CASE AT BAR. — With particular reference to Lot No. 38, it is useful to note that Emilia's certificate of land transfer has already been ordered cancelled in the 1986 decision of the MAR in connection with respondent's retention application. Indeed, the ruling in that case cannot be downplayed at this juncture inasmuch as it explicitly affirmed the viability of respondent's exercise of retention rights, under the auspices of P.D. No. 27, over the property. Thus, because this issue has already been settled, we are certainly not bound to litigate the same anew as petitioners would have us do. If at all, we must only emphasize that even with the confirmation of respondent's retention rights over Lot No. 38, petitioners' leasehold rights to the land have not been extinguished. In other words, while indeed petitioners are deemed owners of Lot Nos. 37 and 39 by operation of P.D. No. 27, the placing of Lot No. 38 under respondent's retention limits have made them lessees only on Lot No. 38. Their status as such is protected by Section 7 of R.A. 3844, which afford them security in their tenurial rights.

5. ID.; ID.; PRESIDENTIAL DECREE NO. 27 (THE EMANCIPATION OF TENANTS DECREE); PROHIBITS A TENANT-FARMER FROM TRANSFERRING HIS OWNERSHIP OR POSSESSION OF, OR HIS RIGHTS TO THE LANDHOLDING, EXCEPT ONLY IN FAVOR OF THE GOVERNMENT OR BY HEREDITARY SUCCESSION IN FAVOR OF HIS SUCCESSORS. — Our law on agrarian reform is a legislated promise to emancipate poor farm families from the bondage of the soil. P.D. No. 27 was promulgated in the exact same spirit, with mechanisms which hope to forestall a reversion to the antiquated and inequitable feudal system of land ownership. It aims to ensure the continued possession, cultivation and enjoyment by the beneficiary of the land that

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he tills which would certainly not be possible where the former owner is allowed to reacquire the land at any time following the award — in contravention of the government's objective to emancipate tenant-farmers from the bondage of the soil. In order to ensure the tenant-farmer's continued enjoyment and possession of the property, the explicit terms of P.D. No. 27 prohibit the transfer by the tenant of the ownership, rights or possession of a landholding to other persons, or the surrender of the same to the former landowner. In other words, a tenant-farmer may not transfer his ownership or possession of, or his rights to the property, except only in favor of the government or by hereditary succession in favor of his successors. Any other transfer of the land grant is a violation of this proscription and is, therefore, null and void following Memorandum Circular No. 7, series of 1979, which materially states: "Despite the above prohibition, however, there are reports that many farmer-beneficiaries of P.D. 27 have transferred their ownership, rights and/or possession of their farms/homelots to other persons or have surrendered the same to their former landowners. All these transactions/surrenders are violative of P.D. 27 and therefore null and void."

APPEARANCES OF COUNSEL

Tagle-Chua & Aquino for petitioners.
Albino Achas for respondent.

D E C I S I O N

PERALTA, *J.*:

This petition for review under Rule 45 of the Rules of Court originated from a Complaint[1] for cancellation of certificate of land transfer and for ejectment filed by respondent Miguel Tanjangco, Jr. on June 24, 1997 before the Department of Agrarian Reform Adjudication Board (DARAB) in Malolos, Bulacan. The complaint stated that respondent was the owner of parcels of land found in Sta. Monica, Hagonoy, Bulacan,

[1] The complaint was docketed as DARAB Case No. R-03-02-5100 '97; records, pp. 9-12.

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with an aggregate area of 26,428 square meters.[2] These pieces of land, identified as Lot Nos. 37, 38 and 39, were respectively covered by Tax Declaration Nos. 10547, 10572 and 8203 — all of which show that they were declared for taxation purposes in respondent's name.[3] Initially, these pieces of property were being cultivated by petitioner Emilia Micking Coronel and her husband as agricultural lessees, and when the latter died Emilia was given, by force of the government's *Operation Land Transfer,* a certificate of land transfer (CLT) covering the lots.[4]

Over time saltwater gradually saturated the property, making it unsuitable for rice cultivation.[5] Hence, in a 1980 agreement denominated as *Kasunduan sa Pagbabago ng Kaurian ng Lupang Sakahan (Palayan na Gagawing Palaisdaan),* Emilia and her son, petitioner Benjamin Coronel,[6] allegedly agreed with respondent to convert Lot No. 38 into a fish farm.[7] Respondent claimed that for a consideration of ₱6,000.00, petitioners had bound to relinquish their rights as tenants not only on Lot No. 38 but also on Lot Nos. 37 and 39, which were likewise converted into fish farms following the execution of the agreement. Petitioners then purportedly leased Lot No. 38 to a certain Jess Santos for a term of five years and then to one Dionisio Toribio, both of whom successively operated fishing ponds on the land. When respondent supposedly learned about these leases, he demanded that petitioners vacate not only Lot No. 38 but also Lot Nos. 37 and 39. The demand went unheeded. Respondent was, thus, urged to bring the matter before the *Barangay* Agrarian Reform Committee, yet the parties could not amicably settle their issues before the said body.[8]

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[2] Records, pp. 6-8, 12.

[3] The Declaration of Real Property discloses that all three lots are covered by Transfer Certificate of Title No. T-177647; *id.* at 6-8.

[4] Records, pp. 11-12.

[5] *Id.*

[6] Alternatively referred to in the records as "Boy Coronel."

[7] Records, pp. 5, 11.

[8] *Id.* at 11, 13.

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Petitioners suspected that respondent's claim of ownership was a ploy to circumvent agrarian law provisions on land retention. In their Answer[9] to the complaint, they disclosed that the subject lots were owned not by respondent but by the latter's father, Miguel Tanjangco, Sr., who had given them leasehold rights therein many years ago. They claimed that CLT No. 0-092761 was issued in favor of Emilia upon the death of her husband, and that she and her family had since been in possession of the property as beneficiaries of the government's agrarian reform program. As holders of a CLT, they asserted that they had every right to retain possession of the lots.[10] Furthermore, they denied having relinquished their rights as land reform beneficiaries, and assuming there was such relinquishment the same was nevertheless void for being contrary to existing agrarian laws and rules. They suggest that it was respondent who committed a breach against their rights when he himself actually constituted a lease on a portion of the property in favor of Jess Santos. Lastly, they posited that respondent had no cause of action and if he did have cause to bring suit, the same nevertheless had already prescribed.[11]

It is evident from the records that in 1976, respondent had filed before the then Ministry of Agrarian Reform (MAR) a petition, docketed as MARCO Adm. Case No. III-1474-86, for the retention of not more than seven hectares of inherited land acquired from his grandparents, Adriano and Juana Tanjangco — the parents of Miguel, Sr. Lot No. 38 was included in the area applied to be retained and it was then being tenanted by Emilia. This lot, together with others in possession of different individuals, could have redounded to Miguel, Sr. had it not been for the waiver of his share following an extrajudicial settlement of the inherited estate among the heirs. The MAR granted respondent's application in its July 27, 1986 Order, and accordingly, it declared exempt from *Operation Land*

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[9] *Id.* at 30-32.

[10] *Id.* at 34-35.

[11] *Id.* at 34.

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Transfer the lots subject of the petition and directed that existing tenants in the covered area be maintained in their peaceful possession as agricultural lessees.[12]

That ruling in MARCO Adm. Case No. III-1474-86 was central to the provincial adjudicator's resolution of the present case. In its April 1, 1998 Decision,[13] the provincial adjudicator noted that the matter of cancelling petitioners' CLT covering Lot No. 38 was already water under the bridge in view of the MAR's directive to cancel it along with all the other existing CLTs. As to whether petitioners could be ejected not only from Lot No. 38 but also from Lot Nos. 37 and 39, the provincial adjudicator ruled in the affirmative. Citing the 1980 *Kasunduan,* in relation to Sections 36 and 27 of Republic Act (R.A.) No. 3844, it was found that petitioners' relinquishment of rights, coupled with the conversion of the lots into fishing ponds, as well as the voluntary surrender of possession to Jess Santos, had validly terminated existing tenurial rights.[14] The dispositive portion of the decision reads:

> WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants and order is hereby issued:
>
> 1. ORDERING the defendants to vacate peacefully the subject property;
>
> 2. ORDERING the defendants to restore possession of the subject property to the herein plaintiff;
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> 3. ORDERING the defendants and all other persons acting in their behalves not to molest, interfere [with] or harass the herein plaintiff;
>
> 4. No pronouncement as to costs.
>
> SO ORDERED.[15]

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[12] *Id.* at 84-85.

[13] *Id.* at 137-146. The decision was signed by Gregorio D. Sapera.

[14] *Id.* at 139-140.

[15] *Id.* at 137-138.

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Aggrieved, petitioners appealed to the DAR-Central Adjudication Board (DAR-CAB).[16] On January 15, 2001, it reversed the decision of the provincial adjudicator, holding that petitioners were already deemed owners of the subject property on the effective date of Presidential Decree (P.D) No. 27 and that the provisions in the law on prohibited transfers and relinquishment of land awards should apply to the transactions entered into by the parties.[17] The decision states:

> WHEREFORE, premises considered, the assailed decision dated April 1, 1998 is hereby REVERSED and SET ASIDE. A new judgment is rendered:
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> 1. Ordering Plaintiff-Appellee to maintain Defendants-Appellants in peaceful possession and cultivation of Lot 38 as tenants thereof;
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> 2. Ordering the cancellation of CLT No. 0-09276 generated in favor of Defendant-Appellant Emilia Micking *Vda. de* Coronel covering Lot Nos. 37, 38 and 39. An Emancipation Patent (EP) CLT be issued in favor of Defendant-Appellant Emilia Micking *Vda. de* Coronel with respect to Lot Nos. 37 and 39, subject matter of this case; and
>
> 3. Ordering the parties to execute a leasehold contract over Lot No. 38.
>
> SO ORDERED.[18]

Following the denial of his motion for reconsideration,[19] respondent elevated the matter to the Court of Appeals via a petition for review in CA-G.R. SP No. 75112.[20] On October 28, 2003, the appellate court rendered the assailed Decision[21] granting the petition in part.

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[16] *Id.* at 154.

[17] *Id.* at 184-185.

[18] *Id.* at 183-184. The decision was signed by Assistant Secretary Lorenzo R. Reyes.

[19] *Id.* at 196-197.

[20] CA *rollo*, pp. 2-13.

[21] Penned by Associate Justice Elvi John S. Asuncion, with Associate Justices Lucas P. Bersamin (now a member of this Court) and Renato C. Dacudao, concurring; *id.* at 115-119.

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The Court of Appeals pointed out that inasmuch as Miguel, Sr. had failed to exercise his right of retention during his lifetime, respondent, as successor-in-interest acquired such right which he could therefore exercise as he in fact did. Thus, it noted, when the MAR ordered the cancellation of Emilia's CLT affecting Lot No. 38 and affirmed respondent's retention rights, petitioners became leaseholders on the property but their rights as such would terminate on the execution of the 1980 *Kasunduan* whereby they relinquished their rights for a consideration in accordance with Sections 8[22] and 28[23] of R.A. No. 3844. As to Lot Nos. 37 and 39, the appellate court held that petitioners remained to be

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[22] Section 8, Republic Act No. 3844 provides:

Section 8. *Extinguishment of Agricultural Leasehold Relation* — The agricultural leasehold relation established under this Code shall be extinguished by:

(1) Abandonment of the landholding without the knowledge of the agricultural lessor;

(2) Voluntary surrender of the landholding by the agricultural lessee, written notice of which shall be served three months in advance; or

(3) Absence of the persons under Section nine to succeed to the lessee, in the event of death or permanent incapacity of the lessee.

[23] Section 28, Republic Act No. 3844 provides:

Section 28. *Termination of Leasehold by Agricultural Lessee During Agricultural Year* — The agricultural lessee may terminate the leasehold during the agricultural year for any of the following causes:

(1) Cruel, inhuman or offensive, treatment of the agricultural lessee or any member of his immediate farm household by the agricultural lessor or his representative with the knowledge and consent of the lessor;

(2) Non-compliance on the part of the agricultural lessor with any of the obligations imposed upon him by the provisions of this Code or by his contact with the agricultural lessee;

(3) Compulsion of the agricultural lessee or any member of his immediate farm household by the agricultural lessor to do any work or render any service not in any way connected with farm work or even without compulsion if no compensation is paid;

(4) Commission of a crime by the agricultural lessor or his representative against the agricultural lessee or any member of his immediate farm household; or

(5) Voluntary surrender due to circumstances more advantageous to him and his family.

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the owners thereof and saw no reason to cancel petitioners' title thereto since proof was lacking to the effect that petitioners had surrendered these lots to respondent.[24] Modifying the DARAB's decision, the appeal was disposed of as follows:

> WHEREFORE, based on the foregoing, the petition is hereby PARTLY GRANTED. The January 15, 2001 Decision of the Central Office of the Department of Agrarian Reform Adjudication Board (DARAB) is MODIFIED, in that the CORONELs are hereby ordered to vacate and restore possession of Lot No. 38 to TANJANGCO. The CLT No. 0-092761 shall be cancelled insofar as it covers Lot No. 38. Lot Nos. 37 and 39 shall remain in the ownership of the CORONELs.
>
> SO ORDERED.[25]

Both parties moved for reconsideration[26] which the Court of Appeals denied.[27] Hence, this petition.

Before the Court, petitioners assail the validity of the exercise by respondent of the right of retention over Lot No. 38. That right, they claim, is purely personal to the real owner of the property, Miguel, Sr., who however had not entered into the exercise thereof at any time since P.D. No. 27 came into force. They note that under the law, before any of the heirs may exercise the right of retention belonging to the deceased landowner, it must be shown that the latter had manifested in his lifetime the intention to exercise the right. This, they believe, has not been proven by respondent.[28]

Petitioners also aver that the 1980 *Kasunduan* is against the law and public policy, because the stipulated consideration of ₱6,000.00 is shockingly low and clearly unconscionable, and that they were not fully apprised of the consequences of the

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[24] CA *rollo*, pp. 118-119.

[25] *Id.* at 119.

[26] *Id.* at 120-129.

[27] *Id.* at 141-143.

[28] *Rollo*, p. 9. See also Reply, *rollo*, p. 80.

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agreement when they acceded to be bound by it. They disown the alleged act of relinquishment of tenurial rights relative to Lot No. 38, arguing that had there been such relinquishment, it would have been void nonetheless.[29] Finally, they deny having entered into any leasehold contract with respondent over Lot No. 38; they advance instead that it was respondent who constituted a lease on Lot No. 38 in favor of Jess Santos in violation of their rights as agrarian reform beneficiaries.[30]

To this, respondent counters that he, as the son of Miguel, Sr., has validly exercised the right of retention over Lot No. 38. He is banking on the July 27, 1986 Order in MARCO Adm. Case No. III-1474 which had already affirmed his retention right to the mass of property that included Lot No. 38.[31] He asserts the validity of the 1980 *Kasunduan* and the resulting relinquishment of rights made by petitioners thereunder, as these were supposedly executed in accordance with Sections 8 and 28 of R.A. No. 3844. Lastly, he attributes to petitioners a violation of Section 36, in relation to Section 27, of R.A. No. 3844 and a breach of the leasehold contract covering all three lots when portions of the property were subleased by respondents to Jess Santos and Daniel Toribio.[32]

The Court gave due course to the petition, and on the submission of the parties' memoranda, the case was deemed submitted for decision.

To begin with, it is conceded that Lot Nos. 37, 38 and 39 have all come under the land redistribution system of R.A. No. 3844[33]

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[29] *Id.* at 10-11, 81-82.

[30] *Id.* at 12-13. Ses also Reply, *rollo*, pp. 83-84.

[31] *Id.* at 64.

[32] *Id.* at 66-67.

[33] The law is entitled *An Act to Ordain the Agricultural Land Reform Code and to Institute Land Reforms in the Philippines, Including the Abolition of Tenancy and the Chanelling of Capital into Industry, Provide for the Necessary Implementing Agencies, Appropriate Funds Therefor and for Other Purposes.* Approved on August 8, 1963.

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and the government's *Operation Land Transfer* under P.D. No. 27.[34] It is likewise conceded, as the parties themselves do, that a certificate of land transfer has previously been issued in favor of petitioners. However, petitioners' ejectment from the landholding is sought on account of the alleged relinquishment of tenurial rights which they had executed in accordance with the provisions of Sections 27 and 36 of R.A. No. 3844. Petitioners argue that the agreement was not intended to effect a termination of their tenurial rights on Lot No. 38. In this regard, respondent submits as proof the 1980 *Kasunduan* which, for easy reference, is materially reproduced as follows:

x x x Na ang Maylupa na si Miguel Tanjangco, Jr. ang siyang tunay at ganap na may-ari ng isang lupang sakahan o palayan na may laki at sukat na humigit-kumulang sa apat na hektarya na matatagpuan sa San Jose at Sta. Monica, Hagonoy, Bulacan;

Na ang naturang lupang palayan ay binubuwisan ng 40 kaban sa kasalukuyan ng mag-inang Emilia Micking at Benjamin Coronel na nagsasaka rito;

Na iminungkahi noong mga nakaraang araw ng Namumuwisan sa Maylupa na ang bahaging binubuwisang palayan na saklaw at napapailalim sa Transfer Certificate of Title No. T-177647 *ng Tanggapan ng Kasulatan ng Lupa para sa Lalawigan ng Bulacan, na mapagkikilala Bilang 10 na natatala sa titulo at may parisukat at kalakhan na 18,844 metrong parisukat at ito ang Lote Blg. 38, plano Psu-64699, SWO-14929, ay gawing palaisdaan sa dahilang ayaw nang mag-ani rito ng palay sapagkat inaabot at nadaramay sa alat na tubig ng karatig na palaisdaan, at ang mungkahing ito ay tinanggap at sinang-ayunan ng Maylupa sa kasunduang sumusunod;*

Na alang-alang sa halagang ₱6,000.00, perang Pilipino, na tinanggap ng Namumuwisan bilang kabayaran sa anumang kalalabasan ng pagbabago ng kaurian ng lupang palayan (Blg. Lote 38, TCT T-177647) *ay pumapayag ang Namumuwisan at*

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[34] Decreeing the Emancipation of Tenants from the Bondage of the Soil, Transferring to Them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor. The law was promulgated on October 21, 1972.

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ipinauubaya sa Maylupa na gawing palaisdaan ang naturang bahaging lupang hindi na pinag-aanihan; x x x[35]

Indeed, petitioners are not mistaken. A mere fleeting glance at the 1980 *Kasunduan* suggests not a hint that petitioners, for a monetary consideration, agreed to relinquish their rights as agricultural lessees and thereby surrender possession of the land to respondent. In this connection, we take notice that the Court of Appeals, applying Sections 8 and 28 of R.A. No. 3844 on voluntary surrender of landholding, as well as Section 6 of R.A. No. 6657,[36] has been misguided when it ruled that petitioners became leaseholders on account of the MAR's Order affirming respondent's retention rights over Lot No. 38 but that said status terminated with the execution of the 1980 *Kasunduan.* This, because while the petition for retention was filed in 1976, it was only in 1986 that respondent's retention rights were upheld by the MAR — six years since the execution of the *Kasunduan* in 1980. Be that as it may,

What comes clear from the foregoing is that respondent and petitioners merely agreed, as the latter had previously suggested to the former, to operate fishing ponds on Lot No. 38 and instead of cultivating rice, conduct fish farming thereon. Contrary to respondent's own interpretation, as well as to the Court of Appeals' assessment of the agreement, the consideration of ₱6,000.00 was never meant to operate as compensation to petitioners for abandoning their rights to the property. At best, the unmistakable import of the consideration in the *Kasunduan* is merely to indemnify petitioners for the consequences of the conversion of the farm lot from rice land to fish farm.

Respondent is bent on defeating the rights of petitioners and to that end, he cites Sections 27 and 36 of R.A. No. 3844.

Section 36 of R.A. No. 3844 governs the dispossession of an agricultural lessee and the termination of his rights to enjoy and possess the landholding, whereas Section 27 enumerates

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[35] Records, p. 17.

[36] The Comprehensive Agrarian Reform Law of 1988.

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certain prohibited transactions involving the landholding. They provide as follows:

Section 27. *Prohibitions to Agricultural Lessee* — It shall be unlawful for the agricultural lessee:

(1) To contract to work additional landholdings belonging to a different agricultural lessor or to acquire and personally cultivate an economic family-size farm, without the knowledge and consent of the agricultural lessor with whom he had entered first into household, if the first landholding is of sufficient size to make him and the members of his immediate farm household fully occupied in its cultivation; or

(2) To employ a sub-lessee on his landholding: Provided, however, That in case of illness or temporary incapacity he may employ laborers whose services on his landholding shall be on his account.

x x x x x x x x x

Section 36. *Possession of Landholding; Exceptions* — **Notwithstanding any agreement as to the period or future surrender, of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:**

(1) The agricultural lessor-owner or a member of his immediate family will personally cultivate the landholding or will convert the landholding, if suitably located, into residential, factory, hospital or school site or other useful non-agricultural purposes: Provided; That the agricultural lessee shall be entitled to disturbance compensation equivalent to five years rental on his landholding in addition to his rights under Sections twenty-five and thirty-four, except when the land owned and leased by the agricultural lessor, is not more than five hectares, in which case instead of disturbance compensation the lessee may be entitled to an advanced notice of at least one agricultural year before ejectment proceedings are filed against him: Provided, further, That should the landholder not cultivate the land himself for three years or fail to substantially carry out such conversion within one year after the dispossession of the tenant, it

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> shall be presumed that he acted in bad faith and the tenant shall have the right to demand possession of the land and recover damages for any loss incurred by him because of said dispossessions.
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> x x x x x x x x x
>
> **(7) The lessee employed a sub-lessee on his landholding in violation of the terms of paragraph 2 of Section twenty-seven.**[37]

From these two provisions, as well as from his effusive arguments in the earlier and present proceedings, we derive that the cause of respondent's grievance are the alleged conversion of Lot No. 38 into a fish farm and the alleged subleasing of the landholding by petitioners. But even as we assume merit in respondent's arguments in this regard, we still find that his reliance on those provisions is mislaid.

First, the conversion of the subject landholding under the 1980 *Kasunduan* is not the conversion of landholding that is contemplated by Section 36 of the law. *Alarcon v. Court of Appeals*[38] defined conversion as the act of changing the current use of a piece of agricultural land into some other use as approved by the DAR.[39] More to the point is that for conversion to avail as a ground for dispossession, the opening paragraph of Section 36 implies the necessity of prior court proceedings in which the issue of conversion has been determined and a final order issued directing dispossession upon that ground.[40] In the case at bar, however, respondent does not profess that at any time there had been such proceedings or that there was such court order. Neither does he assert that Lot No. 38 — and Lot Nos. 37 and 39 for that matter — had undergone conversion with authority from the DAR.

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[37] Emphasis supplied.

[38] 453 Phil. 373 (2003).

[39] *Id.* at 382.

[40] *Id.* at 381

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Second, it is evident from the records that the lease agreement[41] over Lot No. 38 in favor of Jess Santos was executed not by petitioners but rather by respondent himself. It was respondent's name that appears therein as the lessor, with Jess Santos acceding to operate a fishing pond on the land. With respect to the lease agreement with Daniel Toribio executed after the expiration of the first lease, we find that although it was Boy Coronel who signed in as lessor, still, this will not suffice as a ground to dispossess petitioners of the three lots and eject them from the property inasmuch as, to reiterate, dispossession on account of having employed a sublessee under Sections 36 and 27 of R.A. No. 3844 requires a final judgment of the court in that respect.

Furthermore, since the inception of this case, respondent has been grasping at straws in his attempt to dispossess petitioners not only of Lot No. 38 but also of Lot Nos. 37 and 39. He has been insistent that there was an existing leasehold agreement covering Lot Nos. 37 and 39 which was violated by petitioners when they supposedly constituted leases on these lands. But we have to approve of the Court of Appeals' finding that aside from this bare and unassisted claim, respondent was not able to substantiate his thesis. Section 37 of R.A. No. 3844 clearly rests the burden on respondent, who proclaims himself to be the landowner, to prove the existence of the grounds for dispossession and ejectment, yet clearly was unable to discharge this burden as he has not at any time shown either a final order of conversion by the DAR or a court judgment authorizing the tenants' ejectment on the ground of conversion.

With particular reference to Lot No. 38, it is useful to note that Emilia's certificate of land transfer has already been ordered cancelled in the 1986 decision of the MAR in connection with respondent's retention application. Indeed, the ruling in that case cannot be downplayed at this juncture inasmuch as it explicitly affirmed the viability of respondent's exercise of retention rights, under the auspices of P.D. No. 27, over the property.

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[41] Records, pp. 14-15.

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Thus, because this issue has already been settled, we are certainly not bound to litigate the same anew as petitioners would have us do. If at all, we must only emphasize that even with the confirmation of respondent's retention rights over Lot No. 38, petitioners' leasehold rights to the land have not been extinguished. In other words, while indeed petitioners are deemed owners of Lot Nos. 37 and 39 by operation of P.D. No. 27, the placing of Lot No. 38 under respondent's retention limits have made them lessees only on Lot No. 38. Their status as such is protected by Section 7[42] of R.A. 3844, which afford them security in their tenurial rights. *Sarne v. Maquiling*,[43] citing *Hidalgo v. Hidalgo*,[44] *Endaya v. Court of Appeals*[45] and *Bernardo v. Court of Appeals*,[46] is instructive on this point, to wit:

> x x x [T]he Land Reform Code forges by operation of law, between the landowner and the farmer — be a leasehold tenant or temporarily a share tenant — a *vinculum juris* with certain vital consequences, such as security of tenure of the tenant and the tenant's right to continue in possession of the land he works despite the expiration of the contract or the sale or transfer of the land to third persons, and now, more basically, the farmer's pre-emptive right to buy the land he cultivates under section 11 of the Code, as well as the right to redeem the land, if sold to a third person without his knowledge, under section 12 of this Code.

To strengthen the security of tenure of tenants, Section 10 of R.A. No. 3844 provides that the agricultural leasehold relation shall not be extinguished by the sale, alienation or transfer of the legal possession of the landholding. With unyielding consistency, we have held that transactions involving the agricultural land over which

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[42] **Section 7.** *Tenure of Agricultural Leasehold Relation* — The agricultural leasehold relation once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished. The agricultural lessee shall be entitled to security of tenure on his landholding and cannot be ejected therefrom unless authorized by the Court for causes herein provided.

[43] G.R. No. 138839, May 9, 2002.

[44] 33 SCRA 105 (1970).

[45] 215 SCRA 109 (1992).

[46] 168 SCRA 439 (1988).

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an agricultural leasehold subsists resulting in change of ownership, such as the sale or transfer of legal possession, will not terminate the rights of the agricultural lessee who is given protection by the law by making such rights enforceable against the transferee or the landowner's successor in interest. x x x

In addition, Section 7 of the law enunciates the principle of security of tenure of the tenant, such that it prescribes that the relationship of landholder and tenant can only be terminated for causes provided by law. x x x [S]ecurity of tenure is a legal concession to agricultural lessees which they value as life itself and deprivation of their land holdings is tantamount to deprivation of their only means of livelihood. Perforce, the termination of the leasehold relationship can take place only for causes provided by law. The causes are specified in Sections 8, 28 and 36 of R.A. No. 3844.

Finally, even on the hypothesis that petitioners, as alleged, voluntarily relinquished their rights over Lot Nos. 37, 38 and 39 and surrendered the same to respondent, the transaction would still be void because it is by all means prohibited by law.

Our law on agrarian reform is a legislated promise to emancipate poor farm families from the bondage of the soil. P.D. No. 27 was promulgated in the exact same spirit, with mechanisms which hope to forestall a reversion to the antiquated and inequitable feudal system of land ownership. It aims to ensure the continued possession, cultivation and enjoyment by the beneficiary of the land that he tills which would certainly not be possible where the former owner is allowed to reacquire the land at any time following the award — in contravention of the government's objective to emancipate tenant-farmers from the bondage of the soil.[47]

In order to ensure the tenant-farmer's continued enjoyment and possession of the property, the explicit terms of P.D. No. 27 prohibit the transfer by the tenant of the ownership, rights or possession of a landholding to other persons, or the surrender of the same to the former landowner. In other words, a tenant-farmer may not transfer his ownership or possession of, or his rights to the property, except only in favor of the government

[47] *Toralba v. Mercado*, 478 Phil. 563, 571 (2004).

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or by hereditary succession in favor of his successors.[48] Any other transfer of the land grant is a violation of this proscription and is, therefore, null and void[49] following Memorandum Circular No. 7, series of 1979, which materially states:

> Despite the above prohibition, however, there are reports that many farmer-beneficiaries of P.D. 27 have transferred their ownership, rights and/or possession of their farms/homelots to other persons or have surrendered the same to their former landowners. All these transactions/surrenders are violative of P.D. 27 and therefore null and void.[50]

All told, we find that the ruling of the Court of Appeals in this case must be modified. In view of the fact that there was no valid relinquishment of agricultural leasehold rights over Lot No. 38 which may be attributed to petitioners, they are entitled to possession of the same as agricultural lessees.

WHEREFORE, the petition is *GRANTED IN PART*. The October 28, 2003 Decision of the Court of Appeals in CA-G.R. SP No. 75112 is hereby *MODIFIED*. Petitioners' entitlement to the possession and cultivation of Lot No. 38 as agricultural lessee in accordance with the July 27, 1986 Order of the Ministry of Agrarian Reform in MARCO Adm. Case No. III-1474-86, is *AFFIRMED*.

SO ORDERED.

Carpio (Chairperson), Nachura, Abad, and *Mendoza, JJ.*, concur.

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[48] Paragraph 13 of Presidential Decree No. 27 states: 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. See also *Caliwag-Carmona v. Court of Appeals*, G.R. No. 148157, July 27, 2006, 496 SCRA 723, 734; *Torres v. Ventura*, G.R. No. 86044, July 2, 1990, 187 SCRA 97, 105; *Corpuz v. Grospe*, G.R. No. 135297, June 13, 2000, 333 SCRA 425, 436-437.

[49] *Caliwag-Carmona v. Court of Appeals, supra; Torres v. Ventura, supra*; *Corpuz v. Grospe, supra.*

[50] The Circular is dated April 23, 1979.