SECOND DIVISION

[G.R. No. 214590; April 27, 2022]

ESTATE OF SUSANO J. RODRIGUEZ, represented by its ATTORNEY-IN-FACT VIRGILIO R. VALENZUELA, *Petitioner*, *v.* **REPUBLIC OF THE PHILIPPINES, represented by the DEPARTMENT OF HEALTH,** *Respondents*.

D E C I S I O N

HERNANDO,[*] *J.*:

Challenged in this petition[1] for review on *certiorari* are the February 20, 2014 Decision[2] and the September 16, 2014 Resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 98892, that reversed and set aside the March 14, 2012 Decision[4] of the Regional Trial Court (RTC), Branch 31 of Pili, Camarines Sur, in Civil Case No. P-2510.

The CA dismissed[5] the complaint filed by petitioner Estate of Susano J. Rodriguez (estate), represented by its attorney-in-fact, Virgilio R. Valenzuela (Valenzuela), against the respondent Republic of the Philippines (Republic), represented by the Department of Health (DOH).

The Antecedents:

On September 12, 1968, Susano J. Rodriguez (Rodriguez) executed a deed of conditional donation[6] in favor of the Republic

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[*] Acting Chairperson per Special Order No. 2887 dated April 8, 2022.

1 *Rollo*, pp. 9-26.

2 CA *rollo*, pp. 119-131. Penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Sesinando E. Villon and Melchor Quirino C. Sadang.

3 Id. at 154-156.

4 Records, pp. 532-544. Penned by Presiding Judge Jose C. Sarcilla.

5 CA *rollo*, p. 131.

6 Id. at 34-37.

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over a parcel of land covered by Transfer Certificate of Title (TCT) No. 7800 located in *Barangay* Cadlan, Pili, Camarines Sur with an area of 322,839 square meters (sqm), for the purpose of constructing thereon a mental facility, subject to the following conditions:

1. That the property herein donated shall be used exclusively as site of the Mental Hospital for the Bicol Region upon which the DONEE shall construct and erect the different concrete buildings of said hospital;

2. That the DONEE in token of its appreciation and gratefulness for the kindness and generosity of the DONOR, and to perpetuate the memory of the humanitarian acts of the latter, shall name the said hospital as "DON SUSANO J. RODRIGUEZ MEMORIAL MENTAL HOSPITAL";

3. That the DONEE shall commence and finish the construction of the various concrete structures or concrete buildings necessary for the operation of the said hospital within the period of TWO (2) years from the date of execution of this Deed of Donation;

4. That the DONEE shall construct a concrete road from the main National Highway going to the site of the said hospital within the same period provided in the immediately preceding paragraph;

5. That the DONEE shall not under any circumstance or in any manner Lease, Let, Convey, Dispose, or Encumber the property herein donated or any part or portion thereof to any person or entity, except with the prior and express knowledge and approval of the DONOR, it being the desire and intention of the latter to have the said property for the exclusive use of the said hospital and FINALLY;

6. That title to the property herein donated shall remain with the Donor until all the conditions hereinabove set forth have been complied with, and that the violation and/or failure to comply by the DONEE with any or all of the conditions provided in the last preceding (six) paragraphs shall automatically and without formality REVOKE and CANCEL this donation and shall render the same as null and void ab initio as if it has never been executed, in the first place, and that title over the property herein donated shall ipso facto revert to the DONOR his heirs, successors and assigns and all improvements, structures or buildings introduced or constructed therein by the DONEE shall be forfeited in favor of the DONOR with all the rights, title and ownership over the

said improvements, structures or buildings likewise reverting to the DONOR.[7]

On September 29, 2008, the estate, represented by its attorney-in-fact Valenzuela, filed a complaint[8] against the Republic for revocation of the donation and forfeiture of improvements. It alleged that the Republic allowed a portion of the donated property to be used for residential and commercial purposes in violation of the fifth condition in the deed of conditional donation.[9]

In its answer,[10] the Republic alleged that the RTC had no jurisdiction over petitioner's complaint as an estate has no legal capacity to sue and could not be a party to a court action. In addition, the estate's cause of action had already prescribed. As an onerous donation, the same is governed by the law on contracts. Article 1144 of the Civil Code provides that an action upon a written contract must be brought within 10 years from the time the right of action accrues. The Republic argued that since the deed of conditional donation was executed on September 12, 1968, an action to enforce the conditions therein prescribed on September 12, 1978. Hence, petitioner's filing of the instant complaint in 2008 is already barred by prescription.[11]

Lastly, the Republic contended that the condition in the deed that the subject property cannot in any manner be leased, let, conveyed, disposed or encumbered without the prior and express knowledge and approval of the donor, constitutes undue restriction on the rights arising from ownership of the Republic, and thus, contrary to public policy.[12]

Thereafter, trial on the merits ensued.

Ruling of the Regional Trial Court:

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7 Id. at 35-36.

8 Id. at 2-9.

9 Id. at 6-7.

10 Id. at 190-206.

11 Id. at 192-199.

12 Id. at 200-203.

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On March 14, 2012, the RTC rendered its Decision[13] revoking and cancelling the deed of conditional donation in so far as the 27 hectares of the 32 hectares subject of donation are concerned. It ordered the Department of Health to execute a deed of reconveyance for the 27 hectares, representing the unused portion of the land, in favor of the heirs of Rodriguez.[14]

It held that since the donation is an onerous one, the provisions of the Civil Code governing contracts shall apply. The deed of conditional donation provided that the Republic must comply with the conditions within two years from execution. The computation of the 10-year prescriptive period under Article 1144 of the Civil Code with respect to actions upon a written contract shall commence from the time reasonable opportunity was afforded the Republic to fulfill the condition.[15]

According to the RTC, the estate's cause of action accrued when the Republic failed to have the RTC's Decision in Civil Case No. P-86, an ejectment suit filed by the Republic against the informal settlers in the subject property, which was decided in favor of the Republic, and affirmed by the CA in its Decision dated February 28, 1995, be executed. More than 10 years have lapsed since the finality of the said Decision, but the Republic has yet to execute the same.[16]

As such, the Republic is estopped by laches or negligence or omission to assert a right within a reasonable time as it failed to move for execution of the judgment within five years from finality or move for the revival of the judgment within 10 years. Thus, when the estate filed the instant complaint on September 29, 2008, the estate is well within the 10-year prescriptive period to file an action on a written contract counted from the failure of the Republic to execute the judgment in its favor in Civil Case No. P-86.

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[13] Records, pp. 532-544.

[14] Id. at 544.

[15] Id. at 538-539.

[16] Id. at 539.

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Moreover, the stipulation in the Deed of Conditional Donation that the donation would be automatically revoked without need of resort to a judicial action if the donee failed to abide by the conditions[17] is valid.[18] Nonetheless, although there is automatic reversion upon violation of the contract, judicial intervention may be warranted by the aggrieved party for the purpose of determining the propriety thereof.[19]

The RTC upheld Rodriguez's ownership of the subject property. It found the parties' stipulation, that title to the subject property shall remain with Rodriguez until the Republic shall have fully complied with the conditions set forth in the donation, as valid and not contrary to law, morals, good customs, public order and public policy.[20]

The Republic is not prohibited from registering in its name title to subject property provided it complies with the conditions of the donation. The RTC emphasized that the Republic has not made any move to register the subject property in its name. Its possession, even for a considerable length of time, will not ripen into ownership.

Forty (40) years have lapsed from the construction of the hospital and more than ten (10) years from the finality of Civil Case No. P-86 but the Republic has still not taken any legal action to eject the informal settlers. The Republic's complacency and unreasonable delay showed that it had no intention of introducing further development in the subject property. Hence, since the Republic only utilized five hectares out of the 32 hectares donated by Rodriguez, the RTC ruled that the remaining 27 hectares be reverted to the heirs of Rodriguez.[21]

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[17] Id. at 35.

[18] Id. at 539-542.

[19] Id. at 541-542.

[20] Id. at 542-544.

[21] Id. at 544.

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A motion for reconsideration[22] was filed by the Republic but it was denied by the RTC in its Order dated May 3, 2012.[23]

Ruling of the Court of Appeals:

In its assailed February 20, 2014 Decision,[24] the CA reversed and set aside the RTC's March 14, 2012 Decision, to wit:

> WHEREFORE, premises considered, the instant appeal is GRANTED. The Decision dated March 14, 2012 of the Regional Trial Court of Pili, Camarines Sur, Branch 31, in Civil Case No. P-2510 is hereby REVERSED and SET ASIDE. Accordingly, Plaintiff-Appellee's Complaint is DISMISSED.
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> SO ORDERED.[25]

The CA found that the estate has legal personality to institute the present action. Section 2, Rule 87 of the Rules of Court permits an administrator to bring suits for the recovery of property belonging to the estate. Florencio E. Rodriguez, the administrator of the estate of Rodriguez, authorized Valenzuela, through a Special Power of Attorney, to represent the estate in the action for revocation of the deed of conditional donation.[26]

Moreover, the CA ruled that the RTC erred in ruling that the title to the subject property is still under the name of Rodriguez. According to the CA, both parties did not present the title over the subject property and there was no stipulation as to who is the present registered owner thereof. In addition, it held that registration under the Torrens system is not a mode of acquiring ownership but merely an evidence of ownership.[27]

As to the validity of the condition against alienation of the subject property, the CA ruled that since the deed of conditional

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[22] Id. at 545-556.

[23] Id. at 564.

[24] CA *rollo*, pp. 119-131.

[25] Id. at 130-131.

[26] Id. at 126-127.

[27] Id. at 127-128.

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donation did not expressly state the duration of the prohibition, it means that it was perpetual or for an indefinite period hence, illegal for being an impossible condition contemplated under Article 727 of the Civil Code.Thus, it must be considered as not imposed.[28]

Even granting that said condition is valid, still there was no violation on the part of the Republic since it did not lease, let, dispose or encumber the subject property. The CA disagreed with the RTC that the Republic's refusal to execute the Decision in Civil Case No. P-86 is tantamount to tolerance of the occupation of the informal settlers in violation of the conditions of the donation.[29]

First, the informal settlers on the subject land had been occupying the subject property as tenants of Rodriguez even before the execution of the deed of conditional donation. Second, there is reason to believe the testimony of Elpidio R. Sorellano (Sorellano) that Rodriguez knew of their occupation of the subject property from the execution of the donation in 1968 until his death when he did not revoke the donation. Third, the Republic sufficiently explained why the Decision in Civil Case No. P-86 was not executed.[30]

In any event, the non-execution of the Decision in Civil Case No. P-86 did not amount to a substantial breach of the deed of conditional donation; it may only be considered a casual breach not warranting the revocation of the donation. Article 1191 of the Civil Code provides that the breach of the conditions must be substantial as to defeat the purpose for which the contract was perfected.[31]

In this case, the CA found that the Republic is still carrying out the purpose for which the donation was made, that is, the operation of a mental hospital. Despite the filing of a complaint for recovery of possession, these informal settlers hindered the execution of the

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[28] Id. at 128.

[29] Id. at 129.

[30] Id.

[31] Id. at 138.

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Decision in Civil Case No. P-86 in favor of the Republic which is beyond the latter's control.[32]

The estate filed a motion for reconsideration[33] which was denied by the CA in its Resolution dated September 16, 2014.[34]

Hence, this petition for review on *certiorari* under Rule 45.

Issues:

The estate raised the following issues:

1. Whether or not the [CA] erred in its finding that the fifth condition of the Deed of Conditional Donation is void for being an absolute prohibition to lease, convey, dispose or encumber the subject land contrary to the clear intention of the donor to restrict only the benefit derived from the donated land exclusively for its use as mental hospital without affecting the right of ownership of the [Republic];
2. Whether or not the [CA] erred in holding that the failure of the [Republic] to execute the decision in the ejectment case against the informal settlers (who use the land as residential and business place) constitute (sic) tolerance of possession x x x and a violation of the prohibition and undertaking x x x in the Deed of Conditional Donation that the land shall not be allowed to be used for any other purpose except as a Mental Hospital;
3. Whether or not the CA erred in finding that the violation of the fifth condition in the Deed of Conditional Donation does not constitute a substantial breach that warrants revocation of the donation when only 5 hectares is used for the mental hospital and the remaining 27 hectares is used as residences or business places of the informal settlers.[35]

Our Ruling

After a judicious perusal of the records, the Court finds the petition without merit.

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[32] Id. at 130.

[33] Id. at 132-137.

[34] Id. at 154-156.

[35] *Rollo*, p. 15.

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Prescription:

The deed of conditional donation expressly provided for the automatic revocation and/or reversion in case of breach of any of the conditions therein. If the donee fails to comply with or violate any of the conditions stated in the donation, the title over the subject property shall *ipso facto* revert to the donor, his heirs, successors or assigns and all improvements, structures or buildings thereon shall be forfeited in favor of the donor, thus:

> 6. That title to the property herein donated shall remain with the Donor until all the conditions hereinabove set forth have been complied with, and that the violation and/or failure to comply by the DONEE with any or all of the conditions provided in the last preceding (six) paragraphs shall automatically and without further formality REVOKE and CANCEL this donation and shall render the same as null and void ab initio as if it has never been executed, in the first place, and that title over the property herein donated shall ipso facto revert to the DONOR his heirs, successors and assigns and all improvements, structures or buildings introduced or constructed therein by the DONEE shall be forfeited in favor of the DONOR with all the rights, title and ownership over the said improvements, structures or buildings likewise reverting to the DONOR.[36]

We upheld such provision in *De Luna v. Abrigo*[37] as it is in the nature of an agreement granting a party to rescind a contract in case of breach, without need of going to court; "upon the happening of the resolutory condition or non-compliance with the conditions of the contract, the donation is automatically revoked without need of a judicial declaration to that effect."[38]

However, if the donee challenges the propriety thereof, the Court can conclusively settle whether the resolution is proper or not.[39] The judicial intervention is not for the purpose of obtaining

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[36] Records, p. 35.

[37] 260 Phil. 157 (1990).

[38] *Dolar v. Barangay Lublub*, 512 Phil. 108, 120 (2005).

[39] Id. at 121, citing *University of the Philippines v. De los Angeles*, 146 Phil. 108 (1970).

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a judicial declaration rescinding a contract already deemed rescinded by reason of the parties' agreement but in order to determine whether or not the rescission was proper.[40]

In *Republic v. Silim*,[41] the Court distinguished four types of donation: (a) pure or simple; (b) remuneratory or compensatory; (c) conditional or modal; and (d) onerous, *viz.*:

> Donations, according to its purpose or cause, may be categorized as: (1) pure or simple; (2) remuneratory or compensatory; (3) conditional or modal; and (4) onerous. A pure or simple donation is one where the underlying cause is plain gratuity. This is donation in its truest form. On the other hand, a remuneratory or compensatory donation is one made for the purpose of rewarding the donee for past services, which services do not amount to a demandable debt. A conditional or modal donation is one where the donation is made in consideration of future services or where the donor imposes certain conditions, limitations or charges upon the donee, the value of which is inferior than that of the donation given. Finally, an onerous donation is that which imposes upon the donee a reciprocal obligation or, to be more precise, this is the kind of donation made for a valuable consideration, the cost of which is equal to or more than the thing donated.[42]

In the case at bar, the donation involved is an onerous one since the burden imposed upon the donee is to build a mental hospital on the donated property. Thus, the provisions of the Civil Code on the rules on contracts shall govern,[43] to wit:

> ARTICLE 733. Donations 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.

Article 1144 of the Civil Code provides that all actions upon a written contract shall be brought within ten (10) years *from accrual*

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[40] Id., citing *Roman Catholic Archbishop of Manila v. Court of Appeals*, 275 Phil. 332 (1991).

[41] 408 Phil. 69 (2001).

[42] Id. at 76.

[43] Article 733 of the Civil Code.

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of the right of action. Petitioner's complaint for revocation of the donation therefore has not yet prescribed since the cause of action accrued only upon the alleged failure of the Republic to comply with any or all of the conditions of the donation.

Although the deed of conditional donation contained a stipulation on the automatic revocation of donation in case of failure of the donee to comply with any or all of the conditions, the estate's complaint for revocation or action for rescission in behalf of the donor, Rodriguez, is a valid exercise of the latter's right to determine the propriety of the revocation.[44]

A perusal of the records reveals that five out of the 32 hectares of land subject of the donation are being used by the Republic for the operation of its mental hospital, while a portion of the land is occupied by the informal settlers. In order to utilize the subject property exclusively for the use of the mental hospital, the Republic filed an ejectment case against the informal settlers in 1971 docketed as Civil Case No. P-86.

Thereafter, a judgment favorable to the Republic was rendered by the RTC in Civil Case No. P-86[45] that was affirmed by the CA in its February 28, 1995 Decision.[46] It became final and executory on March 27, 1995.[47] However, the Republic failed to have the Decision in Civil Case No. P-86 executed by filing a motion for execution within five years or a motion to revive the judgment within 10 years from the finality of Civil Case No. P-86.

Hence, the estate's complaint filed in 2007 is well within the prescriptive period, which is 10 years from the lapse of the period within which the Republic could file a motion for revival of judgment of Civil Case No. P-86 in 2005. As correctly ruled by the CA, the cause of action accrued only from the time of the alleged violation of the Republic, that is, its failure to comply with

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[44] *Dolar v. Barangay Lublub*, supra note 39.

[45] Records, pp. 371-387.

[46] Id. at 391-407.

[47] Id. at 411.

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its obligation to not lease, let, encumber or dispose any portion of the donated property, *i.e.*, its failure to move for execution or revival of judgment of Civil Case No. P-86, which resulted in the continuous occupation of the informal settlers on a portion of the donated property.

Is the fifth condition in the deed of conditional donation valid?

The fifth condition in the deed of conditional donation states that:

> 5. That the DONEE shall not under any circumstance or in any manner Lease, Let, Convey, Dispose, or Encumber the property herein donated or any part or portion thereof to any person or entity, except with the prior and express knowledge and approval of the DONOR, it being the desire and intention of the latter to have the said property for the exclusive use of the said hospital and FINALLY.[48]

It is clear from the foregoing that the Republic is prohibited from leasing, conveying, disposing or encumbering the donated property or any part thereof to any person or entity without the prior and express knowledge of the donor as the latter's intention of donating the property is for the exclusive use of the mental hospital to be built by the Republic.

In *Roman Catholic Archbishop of Manila v. Court of Appeals (Roman Catholic Archbishop)*,[49] the Court invalidated a provision in the deed of donation that the donated property should not be sold within a period of 100 years from the date of execution as it unduly restricts on the rights of ownership of the donee, to wit:

> Nonetheless, we find that although the action filed by private respondents may not be dismissed by reason of prescription, the same should be dismissed on the ground that private respondents have no cause of action against petitioners.
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> **The cause of action of private respondents is based on the alleged breach by petitioners of the resolutory condition in the deed of**

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[48] Id. at 35.

[49] Supra note 40.

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donation that the property donated should not be sold within a period of one hundred (100) years from the date of execution of the deed of donation. Said condition, in our opinion, constitutes an undue restriction on the rights arising from ownership of petitioners and is, therefore, contrary to public policy.

Donation, as a mode of acquiring ownership, results in an effective transfer of title over the property from the donor to the donee. Once a donation is accepted, the donee becomes the absolute owner of the property donated. **Although the donor may impose certain conditions in the deed of donation, the same must not be contrary to law, morals, good customs, public order and public policy. The condition imposed in the deed of donation in the case before us constitutes a patently unreasonable and undue restriction on the right of the donee to dispose of the property donated, which right is an indispensable attribute of ownership. Such a prohibition against alienation, in order to be valid, must not be perpetual or for an unreasonable period of time.**

Certain provisions of the Civil Code illustrative of the aforesaid policy may be considered applicable by analogy. **Under the third paragraph of Article 494, a donor or testator may prohibit partition for a period which shall not exceed twenty (20) years. Article 870, on its part, declares that the dispositions of the testator declaring all or part of the estate inalienable for more than twenty (20) years are void.**[50] [Emphasis ours.]

In the case at bar, the provision in the deed of conditional donation did not expressly state a period of restriction on the Republic's right to dispose of the donated property. It simply stated that the Republic could not lease, let, convey, dispose or encumber the donated property without the prior and express knowledge of the donor as it was the latter's intention to devote the use of the donated property exclusively for the mental hospital.[51]

Applying by analogy the *Roman Catholic Archbishop* case, the donor could not unduly restrict the right of the donee to dispose the donated property perpetually or for an unreasonable

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[50] Id. at 342-343.

[51] Records, p. 35.

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period of time. The prohibition in the deed of donation that the Republic cannot lease, let, convey, dispose or encumber the donated property without specifying the duration of the restriction should be declared as an illegal or impossible condition within the contemplation of Article 727 of the Civil Code as it is contrary to public policy. Although the parties did not agree on the period of validity of the restriction as in *Roman Catholic Archbishop*, the same may be viewed as perpetual or permanent which constitutes undue restriction for unreasonable period of time.

Did the Republic violate the fifth condition of the deed of conditional donation?

We hold that the Republic did not violate the fifth condition in the deed of conditional donation. It filed an action for recovery of possession against the informal settlers on July 21, 1971,[52] or within three years from the date of execution of the donation in 1968, before the RTC of Pili, Camarines Sur, Branch 33 which was docketed as Civil Case No. P-86.

Thereafter, on May 15, 1991, the RTC of Pili, Camarines Sur, rendered its Decision[53] in Civil Case No. P-86 in favor of the Republic, to wit:

> Wherefore, judgment is hereby rendered:
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> 1. Declaring the plaintiff Republic of the Philippines the owner with right of possession and enjoyment of the parcel of land described in paragraph 4 of the Re-Amended Complaint;
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> 2. Ordering the defendants to vacate and to surrender to the plaintiff their respective landholdings as shown in the Relocation Plan marked as Exhibit B and appearing on page 171 of Vol. I of the Records of this case;
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> 3. Ordering the defendants Maria Rellama, Victorio Atis, Eulogio Layosa represented by Juanito Altobar, Marcelino Doro, Elpidio Surillano, Hermogenes Kingking and other defendants who may have constructed houses or any buildings thereon to vacate and remove the same;

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[52] Id. at 371.

[53] Id. at 371-387.

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4. Ordering the cancellation of the Certificate of Land Transfer issued to Pedro Sario, Flaviano Gavino and Simplicio Doro, the same having unlawfully generated and illegally issued to them;

5. Ordering the dismissal of the counterclaim of the defendants and the intervenors the same not being meritorious; and

6. With costs against all the defendants and intervenors except the defendant Bienvenido Paladin who has already turned over one of his two lots to the plaintiff and who has already abandoned his other lot because of old age being already an octogenarian.

SO ORDERED.[54]

On appeal, the CA in its February 28, 1995 Decision[55] affirmed *in toto* the RTC's Decision dated May 15, 1991. On March 27, 1995, the same became final and executory and on May 29, 1995 it was entered in the Book of Entries of Judgment.[56]

Based on the foregoing, the Republic complied with the fifth condition of the donation by filing an ejectment case against the informal settlers in order to utilize the whole portion of the donated property for the exclusive use of the mental hospital in consonance with the condition imposed by the donor as stated in the deed of conditional donation. Its failure to have the judgment in Civil Case No. P-86 be executed within 10 years from March 27, 1995 could not be considered a violation of the fifth condition.

It bears stressing that the informal settlers were already in occupation or possession of a portion of the donated property upon the execution of the deed of conditional donation. Although the parties did not state or acknowledge the presence of the informal settlers on a portion of the donated property, the donor could not feign ignorance thereof considering that the defendants in Civil Case No. P-86 anchored their right to possession of the portion of donated property on their alleged tenancy relationship with the donor as found by the RTC in Civil Case No. P-86.

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[54] Id. at 386-387.

[55] Records, pp. 391-407.

[56] Id. at 411.

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It would thus be unfair for the donor to impose a restriction on the Republic not to lease, let, dispose, convey or encumber the donated property when upon the execution of the donation, the donated property was actually occupied by third parties. Moreover, the deed of conditional donation is bereft of any statement or provision that the Republic assumed the liability of evicting the informal settlers from the donated property. Sorellano, a retired farmer and employee of Rodriguez, categorically admitted that he is presently occupying a portion of the donated property and even during the execution of the donation, to wit:

ATTY. VILLASERAN:

Q: Mr. Sorellano, as stated before you are living at Cadian, Pili, Camarines Sur, how long have you been living in that place?
A: Since 1942.

Q: Mr. Witness, when you entered the property where you are living right now, who owns the property at that time?
A: Don Susano Rodriguez.

Q: Mr. Witness, do you know who owns the property at this time?
A: If I'm not mistaken all I know that property was donated to the Mental Hospital.

THE COURT:

Q: You are being asked; if you know who is the owner of the land at this present time?
A: Don Susano Rodriguez.

ATTY. VILLASERAN:

Q: That was before but now, who owns the property now?
A: The owner is the Mental Hospital where I stayed as of today.

Q: Do you know how did the Mental Hospital acquire the subject property?
A: As I have said it was donated.

Q: Do you remember Mr. Witness when it was donated?
A: As if it was in 1968.

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Q: Mr. Witness, do you know Don Susano Rodriguez personally?
A: Yes sir, because I worked for him in the fish pond.[57]

Even so, it cannot be considered as failure on the part of the Republic to fully comply with the conditions of donation when it did not file a motion for execution or motion for revival of judgement in Civil Case No. P-86 within five and 10 years, respectively. The Republic was justified when it failed to have the judgment in Civil Case No. P-86 executed due to the threats of violence of the informal settlers. Nonetheless, its failure to have the judgment in Civil Case No. P-86 executed is not considered tolerance on its part within the contemplation of law.

Again, it is undisputed that a portion of the donated property was occupied by third parties when the deed of conditional donation was executed. The Republic had no participation in the occupation therein of these informal settlers. It did not lease, let, dispose, convey or encumber such portion of the donated property to these informal settlers or any other person.

Hence, We cannot impute tolerance upon the Republic when it failed to file a motion for execution or motion for revival of judgment when it validly exercised its right over the donated property immediately after the execution of the donation by filing an ejectment case.

Besides, the alleged tolerance by the Republic of the occupation of the informal settlers of a portion of the donated property is not what is contemplated by the provisions of the fifth condition. The leasing, letting, disposing, conveying or encumbering requires an explicit act from the Republic which would therefore render the donation invalid.

Here, aside from the Republic's failure to execute the judgment in Civil Case No. P-86, the estate did not present any evidence to prove that the Republic indeed actively entered into an agreement with any person to lease, let, dispose, convey or encumber any portion of the donated property.

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[57] TSN, March 1, 2011, pp. 4-5.

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Even assuming that the Republic's failure to move for execution of judgment in Civil Case No. P-86 is deemed an act of tolerance or encumbrance on the donated property, the same could not be considered as a substantial breach warranting rescission of the donation. Article 1191 of the Civil Code provides that:

> 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.

In general, rescission will not be permitted for a slight or casual breach of the contract, but only for such breaches that are substantial and fundamental as to defeat the object of the parties in making the agreement.[58] 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. Hence, rescission will not be granted in the following: (1) where the breach is only slight or casual; (2) where there has been substantial compliance; and (3) where the court finds valid reason for giving a period of fulfillment of the obligation.[59]

To stress, the failure on the part of the Republic to move for execution within five years or to move for revival within 10 years of the judgment in Civil Case No. P-86 could not be considered as a substantial breach. The informal settlers were already occupying a portion of the donated property when the deed of donation was

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[58] *Camarines Sur Teachers and Employees Association, Inc. v. Province of Camarines Sur*, G.R. No. 199666, October 7, 2019, citing *Song Fo & Co. v. Hawaiian Philippine Co.*, 47 Phil. 821 (1925).

[59] Id.

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executed. Republic's act of filing of an ejectment suit signifies its non-tolerance of the occupation of the informal settlers.

Moreover, the deed of conditional donation did not categorically oblige the Republic to undertake recovery of possession of the portion of the donated property from these informal settlers. What was prohibited in the fifth condition was the leasing, letting, disposal, conveyance or encumbering of the donated property or any portion thereof without the prior and express knowledge and approval of the donor.

Rodriguez is presumed to have been aware of the presence of the informal settlers when he executed the deed of donation. This thus negates the claim that the Republic did violate the fifth condition of the deed of conditional donation.

The Republic already complied with the main prestation of the deed of conditional donation which is the construction of the mental hospital and a concrete road from the national highway to the hospital. Although the buildings and improvements sit only on five hectares out of the 32 hectares donated property, the same can be considered as substantial compliance as the deed of conditional donation did not specify the extent of the area that must be occupied by the buildings and other improvements or the size of the mental hospital. Further, the mental hospital continues to operate which clearly shows that the Republic satisfied the purpose of the donation, that is, to exclusively use the donated property for the construction and operation of a mental hospital.

While the Republic admitted that it failed to pursue the development plan for the utilization of the remaining portion of the subject property due to lack of funds, the construction of the hospital on the five hectare portion of the subject property constitutes substantial compliance with the condition of the donation, *i.e.*, "3. *That the DONEE shall commence and finish the construction of the various concrete structures or concrete buildings necessary for the operation of the said hospital within the period of TWO (2) years from the date of execution of this Deed of Donation.*"[60]

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[60] Records, p. 35.

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Thus, although paragraph 1 of the deed of conditional donation states that "*That the property herein donated shall be used exclusively as site of the Mental Hospital for the Bicol Region upon which the DONEE shall construct and erect the different concrete buildings of said hospital*";[61] (underscoring ours) the deed did not specifically restrict or specify the extent of the area wherein these concrete buildings of the hospital will be erected. The deed of conditional donation merely states that the subject property shall be used exclusively as the site of the mental hospital for the Bicol Region but did not provide with specificity the size of the buildings the Republic should construct and in what particular portion of the property. Indeed, the Republic is restricted only as to the use of the subject property, *i.e.*, the construction and operation of a mental hospital. Nowhere in the said deed of conditional donation did it compel the Republic to erect and construct buildings on every square inch of the 32-hectare property. In fact, paragraph 3 of the deed states that the Republic is obliged to "*commence and finish the construction of the various concrete structures or concrete buildings necessary for the operation of the said hospital*"[62] (underscoring ours) which it successfully and faithfully complied.

In *Republic v. Silim*,[63] the Court defines the term "exclusive" in this wise:

> What does the phrase "exclusively used for school purposes" convey? "School" is simply an institution or place of education. "Purpose" is defined as "that which one sets before him to accomplish or attain; an end, intention, or aim, object, plan, project. Term is synonymous with the ends sought, an object to be attained, an intention, etc." **"Exclusive" means "excluding or having power to exclude (as by preventing entrance or debarring from possession, participation, or use); limiting or limited to possession, control or use**."[64] (Emphasis and underscoring ours)

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[61] Id.

[62] Id.

[63] Supra note 41.

[64] Id. at 81.

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What the deed requires is that the whole subject property shall be exclusively dedicated for the operation of a mental hospital.[65] Thus, the Republic cannot allocate any portion of the subject property to any purpose other than the operation of a mental hospital. In this regard, paragraph 5 of the deed prohibits the Republic from leasing, letting, conveying, disposing or encumbering the subject property or any part or portion thereof unless with the prior and express knowledge and approval of the donor.[66] As already discussed, the donor, Rodriguez, was aware of the presence of the informal settlers on the subject property when he executed the deed of donation thereby negating the claim that the Republic violated the paragraph 5 of the deed. The Republic cannot be faulted for its failure to move for execution of the judgment in Civil Case No. P-86 when the donor himself had prior and express knowledge and approval of the presence of the informal settlers on the subject property.

More importantly, the non-construction of buildings on the 27-hectare portion of the donated property did not defeat the purpose of the donation, *i.e.*, the operation of a mental hospital. In fact, the Republic presently operates the mental hospital in accordance with the purpose of the donation and the wishes of the donor. With the Republic's compliance with the main prestation, *i.e.*, construction of various buildings necessary for the operation of a mental hospital within two years from the execution of the deed, the revocation of the donation is improper and lacks legal basis.

Lastly, the Republic's failure to move for execution of the judgment in Civil Case No. P-86 is not tantamount to relinquishment of its ownership over the said portion of the donated property in favor of the informal settlers, which may constitute disposition or conveyance in violation of the deed of conditional donation. The doctrines of laches and estoppel are being invoked in relation to the issue of *possession* subject of Civil Case No. P-86 and not with respect to *ownership*. "Prescription and laches cannot apply

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[65] Records, p. 35.

[66] Id.

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to registered land covered by the Torrens system because under the Property Registration Decree, no title to registered land in derogation to that of the registered owner shall be acquired by prescription or adverse possession."[67]

Evidently, the donated property is registered under the Torrens system, it being identified in the deed of conditional donation as covered by TCT No. 7800. Thus, the same can never be acquired by prescription and laches by the informal settlers therein. The Republic, therefore, did not commit any violation that would constitute as disposition or conveyance of its right of ownership over the portion of the donated property in favor of the informal settlers by its failure to move for execution or revival of Civil Case No. P-86.

WHEREFORE, the petition for review is hereby **DENIED**. The assailed February 20, 2014 Decision and September 16, 2014 Resolution of the Court of Appeals in CA-G.R. CV No. 98892, are hereby **AFFIRMED**.

SO ORDERED.

Zalameda, Rosario, and *Marquez, JJ.*, concur.

Perlas-Bernabe, J., on official leave.

APPEARANCES OF COUNSEL

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Office of the Solicitor General for respondents.

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[67] *Spouses Ocampo v. Heirs of Bernardino U. Dionisio*, 744 Phil. 716, 730 (2014).