Supreme Court E-Library

SECOND DIVISION

[G.R. No. L-24975. May 31, 1977]

MANILA PENCIL COMPANY, INC., and DOMINADOR P. CANLAS, *petitioners, vs.* **CONCORDIO TRAZO, VALENTINO LAUREANO, FILOMENO CAPANER, AGATON PARAS, MONICA GUILLERMO, ISIDRO REQUINA, TOMAS NAVARRETE, FEDERICO LINDO, REGINO MAPUE, ILUMINADA QUINTOS, FELICIDAD DOMINGO, ALFREDO VIANZON and PEDRO GALANG,** *respondents.*

SYLLABUS

1. CIVIL LAW; LAND REGISTRATION; REPUBLIC ACT 1268; CONSTRUCTION.— In Land Administrative Order 24 (promulgated on March 23, 1958 to implement Rep. Act 1268), the term 'actual occupants' shall be understood to mean those who 'occupied the premises as *war sufferers* and *fire victims* immediately or shortly immediately or shortly after the liberation of Manila in February 1945 and continued such occupation by *themselves* up to the present, and who have been occupying and are presently occupying and/or *residing* on the property with a building constructed thereon since or prior to June 14, 1955 as shown in the records of the Bureau of Lands.' Here, the officials residence of the 'Manila Pencil Co., Inc.' is at No. 5 Rizal Avenue Extension, Malabon, Rizal, whereas the residence of lot applicant Dominador P. Canlas is at 1040 P. Tobera St., Bambang Extension, Manila, where they were served with the summons issued in the case at bar. The legislative policy, in addition to what has been said, is to solve the 'social problem that the present condition of the occupants of the property in question may give rise to' and 'of giving land to the landless' to as many war sufferers as are possible under the circumstances. The term 'war sufferers' can refer only to *individual persons* and their families who have occupied for residential purposes portion of the patrimonial property of the Government immediately after the liberation. This view is supported by the last sentence of the explanatory note which states 'Because of the social problems that the present condition of the occupants

Supreme Court E-Library

of the property in question may give rise to. Social amelioration can definitely refer only to social conditions affecting natural persons and not to artificial persons primarily engaged in commercial and industrial ventures.'

2. **REMEDIAL LAW; CIVIL PROCEDURE; PRINCIPLE OF ESTOPPEL BY JUDGMENT; NOT APPLICABLE IN CASE AT BAR.**— The decision in Civil Case 39864 being 'a consent judgment, it may not be binding on a person who did not consent thereto, even though he was a party to the action, and *a fortiori*, he is not bound where he was not a party to the action at the time of the rendition of the judgment'; and with respect to the three (3) other cases decided jointly by the Honorable Supreme Court on April 10, 1958 in favor of MAPECO's predecessor, to wit, *Philippine Consolidated Freight Lines Inc. vs. Ajon*, G. R. L-10202; *Phil. Consolidated Freight Lines Inc. vs. Navarro*, G. R. L-10207; and *Phil. Consolidated Freight Lines Inc. vs. Padernal*, G.R. L-10203, which joint decision, according to respondents-appellants, should bind herein petitioners-appellees by virtue of its principle of estoppel by judgment, it will be noted that the issue of actual occupancy over Lot 79 within the meaning of Republic Act 1268 was not raised therein or passed upon. The issue raised therein was one of possession for purposes of ejectment, 'not actual occupancy as understood under Republic Act 1268 upon which the present action has been predicated.' We agree with this view.

APPEARANCES OF COUNSEL

Genaro P. Aguas for petitioners.
Benjamin J. Molina for respondents.

D E C I S I O N

BARREDO, *J.*:

Petition for review of the 5-3 decision of July 6, 1965 of the Courts of Appeals in CA-G.R. No. 33256, *Trazo, et al. vs. The Director of Lands,* which affirmed the judgment of the Court of First Instance of Manila in Civil Case No. 44598, *Trazo, et al. vs. The Director of Lands, et al.*, a special civil

Supreme Court E-Library

action for prohibition and *mandamus* to enjoin the Director of Lands from selling the land in question to herein petitioner, Manila Pencil Company, and to command said Director to sell the same instead to the petitioners Trazo, *et al.*, therein, private respondents here, which petition was granted, the two courts *a quo,* the Court of First Instance of Manila and the Court of Appeals, invoking the provisions of Republic Act 1268, as amended by Republic Act 3009, notwithstanding that herein petitioner had previously secured in another *mandamus* case, Civil Case No. 39864 also of the Court of First Instance of Manila, a decision, already final and executory, commanding the Director of Lands to sell the same land to it, also in pursuance of Republic Act 1268.

The material object of these proceedings is a parcel of land known as Lot No. 79 of the San Lazaro Friar Lands Estate located at the corner of Quezon Boulevard and C. Lerma Street, Manila, which together with another lot of 1,000 square meters, known as Lot No. 11 of the same estate, was ordered by the Court of First Instance of Manila to be sold to herein petitioner in aforementioned *mandamus* case, No. 39864 as follows:

"IN VIEW OF ALL THE FOREGOING, the petition for *mandamus* is hereby granted, and the respondent Director of Lands is ordered and directed to execute a deed of sale of Lots No. 11 and 79 of the San Lazaro Friar Lands in favor of the petitioner, Manila Pencil Co., Inc. under the following conditions:

(a) That upon the execution of said deed of sale in favor of the petitioner the latter must pay to the respondent, Director of Lands, the amount of ₱26,750.00 corresponding to the first installment for the first year with the payment of a similar amount yearly for the next nine years thereafter; and

(b) That petitioner should likewise pay to the respondent, by way of occupation fee, the amount of ₱10,700.00 corresponding to 4% of the total purchase price of Lots No. 11 and 79, as provided for in R. A. No. 1268, which amount shall be paid to the respondent ten (10) yearly installments of ₱70.00 per year, the first payment to begin on the date of the execution of the deed of sale by respondent in favor of the petitioner." (page 3, Record.)

Supreme Court E-Library

When petitioner asked for the execution of this judgment, herein private respondents, led by Concordio Trazo, whose attempt to intervene in Case No. 39864 was not allowed by even this Court in G.R. No. L-16501, filed the petition in Case No. 44598 praying that:

"1. — Immediately issuing a preliminary writ of injunction enjoining the respondent Director of Lands from executing, or causing to be executed a deed of sale of Lot No. 79 of the San Lazaro Friar Lands Estate, portions of which are occupied by the herein petitioners, in favor of the respondent Manila Pencil Company, Inc.;

"2. — After trial, commanding the respondent Director of Lands to desist from further proceeding with the sale of the said Lot No. 79 of the San Lazaro Friar Lands Estate, in favor of the respondent Manila Pencil Company, Inc.;

"3. — Ordering the respondent Director of Lands to execute a final deed of sale in favor of each of the petitioners of the portions of said Lot No. 79 of the San Lazaro Friar Lands Estate, respectively occupied by them in accordance with the provisions of Republic Act No. 1268, as amended by Republic Act No. 3009;

"4. — Ordering the respondents, jointly and severally, to pay to the petitioners the amount of ₱5,000.00 actual damages by way of attorney's fees and expenses of litigation; and

"5. — Granting to the petitioners such other relief which may be deemed just and equitable in the premises." (page 4, Record.)

As stated in the petition here: —

"Respondents-appellees claimed in their aforesaid petition that they were war sufferers during the liberation of Manila and had been occupying portions of Lot 79 in question since before the year 1954 up to the present; that they had constructed their respective houses and/or places of business in the premises; that they were 'actual occupants' and therefore entitled to purchase the respective portions they occupied, not exceeding 200 square meters, from the government by virtue of Republic Act No. 1268 as amended by Republic Act. 3009.

"In their answer, herein petitioners-appellants denied the material allegations of the petition and alleged in substance the following:

Supreme Court E-Library

'1. Petitioners' respective physical occupancy of portions of Lot No. 79 are merely necessary consequences of the respective leases to them by Manila Pencil Company, Inc. of certain portions of said Lot 79 or the improvements thereon and therefore, their occupancy are for and inure to the benefit of their landlord, the Manila Pencil Company, who is the true, legal and actual occupant of Lot 79;

'2. Republic Act No. 1268 became vested under which Manila Pencil Company's right to purchase Lot 79 which took effect on June 14, 1955 did not limit the area which may be purchased by an actual occupant of the San Lazaro Friar Lands Estate and that Republic Act No. 3009 amending the same, limiting the area to not more than two hundred (200) square meters, took effect long after the decision in Civil Case No. 39864 became final, ordering the execution by the Director of Lands of a final deed of sale over Lot 79 in favor of the Manila Pencil Company.

'3. There was another action pending before this Honorable Supreme Court (referring to the appeal of Concordio Trazo, G. R. L-16501, from the order of the Court of First Instance of Manila in Civil Case No. 39864 denying his motion to intervene) between the same parties for the same cause, inasmuch as the interest of Trazo is identical and similar to the interest of all the other respondent herein in Lot No. 79. (As was mentioned earlier, this appeal of Trazo was dismissed by this Honorable Court.)

'4. The court (trial court) was without jurisdiction to declare null and void or countermand a final and executory decision of the Court of First Instance of Manila, Branch XVII, a co-equal and coordinate court.

'5, The petition was barred by prior judgment and/or is *res judicata* because in the cases of *Philippine Consolidated Freight Lines, Inc. vs. Emiliano Ajon and Jose Mandanas*, G. R. L-10206; *Philippine Consolidated Freight Lines, Inc. vs. Agripina Navarro*, G. R. L-10207; and *Philippine Consolidated Freight Lines, Inc. vs. Matilde Padernal*, G. R. L-10208, this Honorable Supreme Court held that the Philippine Consolidated Freight Lines, Inc. (the predecessor-in-interest of herein appellant Manila Pencil Company, Inc.) has a superior right to the possession of Lot 79 of the San Lazaro Friar Lands Estate than any of the lessees or sublessees of portions of the lot who were in physical occupancy thereon.

Supreme Court E-Library

"The trial court granted the issuance of a writ of preliminary injunction to restrain the Director of Lands from executing or causing to be executed a deed of sale over Lot No. 79, upon the filing by the petitioners therein of a bond in the amount of ₱5,000.00. Subsequently, upon motion of herein appellants and upon their filing of a counter bond of ₱200,000.00, the writ was dissolved. Consequently, a sales contract dated April 25, 1962 was executed between the Republic of the Philippines (represented by the Director of Lands) and the Manila Pencil Company, Inc. over said Lot 79, which contract however contains a stipulation that the sale is subject to the outcome of this case.

"After hearing on the merits, a decision was rendered by the trial court on August 20, 1963, declaring that 'the petitioners (herein respondents-appellees) have a better right to the purchase of Lot No. 79 of the San Lazaro Estate, that the sale thereof to the Manila Pencil Co. is illegal and void as against them, and ordering the Director of Lands to sell it to them in accordance with Republic Act No. 1268, as amended by Republic Act No. 3009, with costs against the Manila Pencil Co." (pp. 4-6, Record.)

The decision under review (majority opinion) is based on the following considerations:

"Setting aside momentarily the other aspects of this case, we cannot reconcile ourselves to the proposition that respondent Manila Pencil Co. (registered as a corporation on April 13, 1951, Exh. 8) is qualified to purchase Lot 79 containing an area of 1,672 sq. m., specially after having already acquired Lot 11 with an area of 1,003 sq. m. in the same vicinity. The inequity is so disturbing, say shocking, particularly in the face of the clear and unmistakable legislative policy that motivated the passage of Republic Acts 1268 and 3009. The legislative intendment is to sell Lots 11 and 79 to the actual occupants (not constructive occupants). In Land Administrative Order 24 (promulgated on March 23, 1958 to implement Rep. Act 1268), the term 'actual occupants' shall be understood to mean those who 'occupied the premises as *war sufferers* and *fire victims* immediately or shortly immediately or shortly after the liberation of Manila in February 1945 and continued such occupation by *themselves* up to the present, and who have been occupying and are presently occupying and/or *residing* on the property with a building constructed thereon since or prior to June 14, 1955 as shown in the records of the Bureau of Lands' (Exh. 23). Here, the official residence of the

Supreme Court E-Library

'Manila Pencil Co., Inc.' is at No. 5 Rizal Avenue Extension, Malabon, Rizal, whereas the residence of lot applicant Dominador P. Canlas is at 1040 P. Tobera St., Bambang Extension, Manila, where they were served with the summons issued in the case at bar (Record 31). The legislative policy, in addition to what has been said, is to solve the 'social problem that the present condition of the occupants of the property in question may give rise to' (Explanatory Note, Exh. OO, re Rep. Act 1268) and 'of giving land to the landless' (Explanatory Note Exh. QQ re Rep. Act 3009) to as many war sufferers as are possible under the circumstances. All these considerations of social justice were however set to naught by the sale of those two lots to respondent corporation of the 1951 vintage which cannot be classified under any concept as a war sufferer, let alone the fact that the 200-square-meter restriction to each actual occupant was likewise flagrantly disregarded. With the same impunity, the constitutional declaration of principle that 'the promotion of social justice to insure the well-being and economic security of all the people should be the concern of the state' (Art. 11, Section 5, Phil. Constitution), as well as Art. XIII, Section 4, providing that 'the Congress may authorize, upon payment of just compensation, the expropriation of lands to be subdivided into *small lots* and conveyed at costs to individuals' was likewise completely ignored and trampled upon. Certainly, what happened in the case at bar was not the promotion of social amelioration as envisaged by Manila Congressman Arturo Tolentino and Augusto Francisco in proposing the passage of the aforesaid Rep. Acts 1268 and 3009, but social injustice. As was well stated by Senior Land Examiner Atty. Miguel A. Umali in his memorandum for the Chief, Land Management Division, Bureau of Lands, dated March 25, 1950, 'the main purpose of the bill is primarily to help the war sufferers to secure lots wherein they can establish their residence.' The term 'war sufferers' can refer only to *individual persons* and their families who have occupied for residential purposes portion of the patrimonial property of the Government immediately after the liberation. This view is supported by the last sentence of the explanatory note which states 'Because of the social problems that the present condition of the occupants of the property in question may give rise to.' Social amelioration can definitely refer only to social conditions affecting *natural persons and not to artificial persons* primarily engaged in commercial and industrial ventures.' (Exh. KK and KK-1) Another high official of the Bureau of Lands, no less than Assistant Director Vicente Tordesillas, in his memorandum for the Honorable Executive Secretary, Malacañan, Manila, dated May 19,

Supreme Court E-Library

1960 and marked as Exh. GG, officially expressed the opinion that 'the amending House Bill No. 4404 appears to have been mainly intended to have the big parcels (referred to above as parcels 11 and 79) occupied by the Manila Pencil Co., Inc., subdivided into lots of not more than 200 square meters *to benefit more people.* It would seem that the intention of the bill would be largely *frustrated* if the said parcels 11 and 79 are conveyed to the Manila Pencil Company Inc. as directed by the Courts. (Sgd.) Vicente Tordesillas, Assistant Director of Lands' (Exh. GG-1).

"The incorporation papers of respondent Manila Pencil Co., Inc., Exh. HH, shows that the incorporators, namely: (1) Dominador P. Canlas, (2) Ernesto Y. Sibal, (3) Tomas Oconer, (4) Atty. Amado N. Vicente, (5) F.B. Punzalan, (6) Capt. C.R. Mason, and (7) Atty. Paterno Canlas, all businessmen, are far from being the landless gentry for whose benefit Congress had intended to sell the lot in question in small parcels of not more than 200 square meters each. Neither can the respondent corporation be called an *actual occupant* of the areas where the houses of petitioners-appellees are located because, for one thing, the houses are owned by the petitioners-appellees and assessed for taxation in their respective names. Much less was the corporation a war sufferer and fire victim. As shown by respondent corporation's own evidence, sketch Exh. 34, what it occupies physically is a rectangular portion captioned 'Manila Pencil Sales Office.' Certainly, the respondent corporation cannot be an *actual occupant* of the areas physically possessed and occupied by the petitioners' houses over which it (corporation) had no control at all. This is a fact admitted by respondent Manila Pencil Co. thru counsel on November 29, 1954, as per letter Exh. JJ, addressed to the Undersecretary of Agriculture and Natural Resources which, in its pertinent portion, says: 'Before closing, we should like to repeat that since the early part of 1952, our clients have neither been *using nor receiving rent* from Lot No. 79' (Exh. JJ-3-A). Even from the point of view of priority of application, the evidence shows that sale applications of petitioners Monica Guillermo (Sept. 6, 1957) and Iluminada Quintos (Oct. 22, 1957) were ahead of, and the sale applications of petitioners Federico Lindo (March 18, 1958) and Tomas Navarrete (March 18, 1958) bore the same date as the sale application of Dominador P. Canlas (Mar. 18, 1958) upon whose personal sale application the alleged right of respondent Manila Pencil Co., Inc. of which he (Canlas) is the president stems or is made to cling.

Supreme Court E-Library

"We concur in the conclusion of the lower court that herein petitioners-applicants 'are not bound by the decision of the CFI of Manila in Civil Case 39864 (*Manila Pencil Co. vs. Director of Lands,* for *mandamus*), ordering the director of lands to sell Lot 79 to the Manila Pencil Company. They were not parties thereto, and the attempt by one of them, Concordio Trazo, to intervene therein was denied because it was not made on time. Their rights cannot therefore be affected by the decision.' This is expressly recognized by the Supreme Court when it said: 'If the herein petitioner has any right of action at all, his right can be fully protected in a *separate* proceeding. If he feels aggrieved, he should file an independent action' (see decision, Supreme Court, in G.R. L-16501, Jan. 31, 1961, entitled [*Concordio A. Trazo vs. Manila Pencil Co., Inc., Director of Lands, and Hon. Arsenio Solidum, Judge, CFI of Manila*, marked Exh. 17-C).

"In the *first assignment of error*, the respondent MAPECO contends that it has presented ample evidence to show that by itself and through its predecessor-in-interest, the Philippine Consolidated Freight Lines Inc., it is the actual occupant of Lot 79 since 1945. The said evidence, according to MAPECO, further show that herein petitioners-appellees have been occupying certain portions of the said Lot 79 in question as mere lessees or sublessees of the respondent company. Granting, without admitting, this to be true, nevertheless, the undeniable fact remains that the MAPECO is disqualified to buy the said lot for the reasons that (1) being a post war corporation, as was its predecessor, it cannot be a war sufferer and fire victim; (2) having given up actual physical occupation of the portions in the hands of petitioners-appellees since 1952 (Exh. JJ-3-a), it cannot claim 'to have continued such occupation *by itself* and has been occupying and is presently occupying and/or residing on the property (the adversely possessed areas it seeks to purchase) with a building constructed thereon' as prescribed by Lands Administrative Order 24, Series of 1958, issued by the Director of Lands with the approval of the Secretary of Agriculture and Natural Resources pursuant to Section 5 of Republic Act 1268, the governing statute; (3) Republic Act 1268, as amended by Republic Act 3009, speaks not of legal possessor but of actual occupants of Lot No. 79, who can be no other than those physically or in fact occupying it; (4) assuming again hypothetically the petitioners-appellees to be mere lessees or sublessees (not who possess the required qualifications to purchase), we see no plausible reason why the disqualification of the lessor (respondent corporation) should be allowed to effect or to visit them when, after all, Republic Act 1268, in its original version or as amended, and the administrative

Supreme Court E-Library

rules and regulations applicable to this case speak of 'actual occupants' the apparent intendment of the statute being to diffuse the blessings granted by it to as many people as possible and to withhold a monopolistic distribution of the land in question to only one or single applicant as shown by the injunction therein of a 200-square-meter lot to each occupant; (5) respondent corporation has not filed in its corporation capacity an application to purchase the lot in question, but granting *arguendo* in this regard that the application of Dominador P. Canlas, in his private capacity, may be considered an application of respondent corporation, the latter (respondent) may no longer be authorized to acquire questioned Lot 79, it having already acquired earlier Lot No. 11 (with an area of 1,003 square meters) under the provisions of the same Republic Act 1268.

"As to the *second assignment of error* that the lower court erred in declaring that the herein petitioners-appellees are not bound by the decision in Civil Case No. 39364 (*Manila Pencil Co., Inc. vs. Director of Lands*) rendered by the Hon. Judge Arsenio Solidum, under the doctrine of judicial estoppel, we may add to what has already been stated heretofore (1) that the qualification of MAPECO to purchase Lot 79 within the purview of Republic Act 1268 was never decided in the said case; (2) none of the herein petitioners-appellees were parties to said case, and the decision therein was rendered on the basis of the mutual admissions such that 'the issue of MAPECO's actual occupancy of the lot in dispute within the meaning of Republic Act 1268, although raised in the pleadings, was erroneously thought by the Court in said Civil Case 39864 to have been admitted by therein (also herein) respondent, Director of Lands' (appellee's brief, 30). 'Relying on what is assumed to have been admitted by the parties in the Stipulation of Facts submitted by the parties in Civil Case 39864, the CFI of Manila only passed upon the constitutionality raised by the Director of Lands against Section 4 of Republic Act 1268' (appellees' brief, pp. 17-18). By abandoning his appeal in said Civil Case 39864, the Director of Lands allowed the decision therein to become final and executory; (3) the decision in Civil Case 39864 being 'a consent judgment, it may not be binding on a person who did not consent thereto, even though he was a party to the action, and *a fortiori*, he is not bound where he was not a party to the action at the time of the rendition of the judgment' (50 C.J.S. 162); and (4) with respect to the three (3) other cases decided jointly by the Honorable Supreme Court on April 10, 1958 in favor of MAPECO's predecessor, to wit, *Philippine Consolidated Freight Lines Inc. vs. Ajon*, G. R. L-10202; *Phil. Consolidated Freight Lines Inc. vs. Navarro,*

Supreme Court E-Library

G. R. L-10207; and *Phil. Consolidated Freight Lines Inc. vs. Padernal,* G.R. L-10203, which joint decision, according to respondents-appellants, should bind herein petitioners-appellees by virtue of its principle of estoppel by judgment, it will be noted that the issue of actual occupancy over Lot 79 within the meaning of Republic Act 1268 was not raised therein or passed upon. The issue raised therein was one of possession for purposes of ejectment, 'not actual occupancy as understood under Republic Act 1268 upon which the present action has been predicated' (appellees' brief, 31). We agree with this view.

"With regard to the third assignment of error that the lower court erred in declaring that respondent-appellant MAPECO had not acquired a vested right to buy Lot No. 79 by virtue of the provisions of Republic Act 1268 and the *fourth assignment* of error that the lower court likewise erred in applying Republic Act 3009, a law which limits each occupant to the purchase of an area of not more than 200 square meters in dimension, suffice it to quote herein that the lower court in the present case has stated in this respect: 'The Manila Pencil Company cannot claim that it had acquired a vested right to buy Lot No. 79 under Republic Act 1268 before its amendment (by Republic Act 3009), for it had failed to comply with the conditions prescribed by that law, namely, that it should be an actual occupant, a war sufferer and fire victim x x x.' Hence, it is plain that respondent corporation, being disqualified to apply for purchase, could not have acquired a vested right under Republic Act 1268. The judgment in Civil Case 29864 (Manila Pencil Co., Inc. vs. The Director of Lands) not having settled the qualification of MAPECO to purchase Lot 79 under Republic Act 1268, the judicial adjudication therein cannot be relied upon by respondent-appellant MAPECO to disqualify the herein petitioners-appellees.

"The *fifth assignment of error* as to the denial by the lower court of respondents-appellants' motion for reconsideration of September 2, 1963 need no further discussion as it assails the judgment on substantially the same grounds as their present assignment of error." (pp. 18-21, Record.)

On the other hand, petitioner contends in his petition that:

"1. The Court of Appeals erred in affirming the decision of the trial court which had been rendered without and/or in excess of its jurisdiction. The trial court acted without and/or in

Supreme Court E-Library

excess of its jurisdiction in holding that the herein respondents-appellees have a better right to purchase Lot No. 79 and ordering that the Director of Lands sell said property to them instead of to the herein appellant Manila Pencil Company, Inc., because in so doing, the trial court in effect set aside and declared null and void an already final decision previously rendered by a co-equal and coordinate court (Branch XVII of the same Court of First Instance of Manila) in another case, Civil Case No. 39864.

"2. The Court of Appeals, as did the trial court, erred in inquiring further into the qualifications of herein appellant Manila Pencil Company, Inc. to purchase Lot No. 79 for the reason that this issue was passed upon and determined in a previous proceeding, Civil Case No. 39864 in the Court of First Instance of Manila and entitled '*Manila Pencil Company, Inc. versus the Director of Lands.*' The decision in said case, ordering the Director of Lands to execute the corresponding deed of sale over Lot No. 79 in favor of Manila Pencil Company, Inc. became final and executory long before the institution by herein respondents-appellees, of the original proceeding in this case in the trial court.

"3. It was error for the Court of Appeals as well as for the trial court to hold that the occupation or possession required by Republic Act 1268, to qualify an applicant for the purchase of the San Lazaro Friar Lands Estate, of which Lot No. 79 forms part, is simple *material* or *physical* possession. We submit that the possession or occupancy referred to in Republic Act 1268 is possession as it is contemplated in law and jurisprudence.

"4. The Court of Appeals erred in giving no significance to the relationship of landlord-tenant between the petitioner-appellant Manila Pencil Company and herein respondents-appellees because the physical or material possession by respondents-appellees of certain portions of Lot No. 79 is a mere consequence of their subleases from the petitioner-appellant. As mere tenants or sublessees, they can not claim any right superior to their sub-lessor and whatever rights or benefits accrued by virtue of their occupancy or possession must inure to their landlord, herein petitioner-appellant Manila Pencil Company.

Supreme Court E-Library

"5. The better right of petitioner-appellant Manila Pencil Company, Inc., thru its predecessor-in-interest Philippine Consolidated Freight Lines, Inc. to possess and occupy Lot No. 79 had been upheld by this Honorable Supreme Court in three previous cases, decided jointly, '*Philippine Consolidated Freight Lines, Inc. vs. Emiliano Ajon and Jose Mandanas,* G.R. L-10206; *Philippine Consolidated Freight Lines, Inc. vs. Agripina Navarro*, G.R. L-10207; and *Philippine Consolidated Freight Lines, Inc. vs. Matilde Padernal,* G.R. L-10208.' In these three cases, the defendants were sublessees of portions of Lot 79, in the same manner that herein respondents-appellees are sublessees of certain portions of the same Lot 79 and there exists therefore as among them a privity or identity of interests. The joint decision of this Honorable Court in the aforesaid three cases, long become final, holding that petitioner-appellant's predecessor-in-interest had a better right to possess the premises in question should have thus been given weight and consideration by the Court of Appeals.

"6. The Court of Appeals also erred in applying the requirement of being a 'war sufferer'. This requirement is not imposed by the law, Republic Act 1268, that governs the acquisition of the San Lazaro Friar Lands Estate but was merely added by Lands Administrative Order No. 24. Insofar as Lands Administrative Order No. 24 imposes this additional qualification, it should be disregarded for being null and void as it is tantamount to an improper exercise of legislative power by the Secretary of Agriculture and Natural Resources.

"7. The Court of Appeals further erred in considering the limitation to not more than 200 square meters on the area that may now be purchased by each applicant from the San Lazaro Friar Lands Estate, of which Lot No. 79 forms part. This limitation was imposed only later, by an amendatory law Republic Act 3009, and should not be applied retroactively in this case to deprive or impair the right, already long vested in petitioner-appellant Manila Pencil Company under the original law, Republic Act No. 1268, to purchase Lot No. 79." (pp. 7-10, Record.)

After mature reflection and in the light of what appears to Us to be the paramount objective of Republic Act 1268, as

Supreme Court E-Library

amended, We are convinced that the view adopted in the majority opinion of the Court of Appeals stands on solid equitable ground, apart from being a sound legal construction of the Act. The explanatory note of the bill that became Republic Act 1268 sets forth the legislative purpose thereof thus:

"As a result of the battle of liberation in Manila, many war sufferers occupied vacant patrimonial properties belonging to the Government at the intersection of Quezon Boulevard and C. Lerma Street in the City of Manila. The present occupants would desire to legalize their stay and acquire the lots respectively possessed by them. It is for the purpose of allowing them to acquire ownership of their respective lots at a reasonable price that this bill has been presented. Because of the social problems that the present condition of the occupants of the property in question may give rise to, it is earnestly urged that this bill be immediately considered and approved." (pp. 22-23, Record.)

And in pursuance of this objective and by virtue of the authority granted him by the Act itself, the Director of Lands issued Administrative Order No. 24, containing the rules and regulations governing the sale of the subject land. The pertinent portion of said rules reads as follows:

"For the purpose of these regulations, the term 'actual occupants' as used in Republic Act No. 1268 shall be understood to be those persons who are Filipino citizens qualified to acquire public lands in the Philippines, who occupied the premises as war sufferers and fire victims immediately or shortly after the liberation of Manila in February, 1945, and continued such occupation by themselves up to the present, and who have been occupying and are presently occupying and/or residing on the property with a building constructed thereon since or prior to June 14, 1955, as shown in the records of the Bureau of Lands."

We are in accord with the Court of Appeals that upon the premises of this case, petitioner herein can in no sense be considered as the occupant contemplated in the statute. It is clear to Us that notwithstanding that private respondents have been occupying the buildings constructed by petitioner on the land in dispute merely as its lessees of portions of said buildings, the legislative intent was to benefit not the owner of said buildings

Supreme Court E-Library

but the actual occupants thereof. We cannot see how the commendable and benevolent objective of the statute to solve "the social problems that the present condition of the occupants of the property in question may give rise to" can be pursued by recognizing petitioner as having a better right than private respondents under the law. The Act is indubitably a social legislation. From that perspective, a choice between the respective situations of the petitioners, on the one hand, and the private respondents, on the other, cannot but favor the latter. Basically, that is all We have to determine in this case.

Of course, also in equity, petitioner is entitled to be reimbursed the cost of the improvements it has constructed, which are being occupied by respondents, unless the latter should prefer to allow petitioner to remove the same, because they would want to construct their own respective houses.

IN VIEW OF ALL THE FOREGOING and for the other considerations on which the decision under review is based, the petition herein is dismissed, and the appealed judgment is affirmed, without pronouncement as to costs.

Antonio, Aquino, and *Martin,** *JJ.*, concur.

Fernando (Chairman), J., concurs in the result.

Concepcion Jr., J., is on leave.

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* Justice Ruperto G. Martin was designated to sit in the Second Division.