Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

RAMON PACON, through his wife FELINA PACON, ANTONIO PACON, through his wife NENITA PACON, EULOGIO PACON, through his son JORGE PACON, LEONARDO PACON, MANUEL IGOS, JOSE COLORES, LOLITA COLORES, and ESTANISLAO BUENDIA, Petitioners,	**G.R. NO. 185365**
- versus -	Present: VELASCO, JR., *J.*, *Chairperson* PERALTA, PEREZ, REYES, and JARDELEZA, *JJ.*
BENJAMIN TAN, Respondent.	Promulgated: March 2, 2016

x----------x

DECISION

JARDELEZA, *J.:*

The Case

Petitioners Ramon Pacon, Antonio Pacon, Eulogio Pacon, Leonardo Pacon, Manuel Igos, Jose Colores, Lolita Colores, and Estanislao Buendia ("petitioners") assail, via a Petition for Review under Rule 45 of the Rules of Court, the *Decision* dated February 13, 2007 rendered by the Court of Appeals in CA-G.R. SP No. 86674. In its challenged *Decision*,[1] the Court of Appeals reversed the Department of Agrarian Reform Adjudication Board's *Decision* dated November 19, 2003 and *Resolution* dated August 18, 2004, and ordered petitioners to vacate and surrender possession of the property subject of this case.

---

[1] Penned by Associate Justice Rosmari D. Carandang, with Associate Justices Martin S. Villarama, Jr. and Mariflor P. Punzalan Castillo, concurring. *Rollo*, pp. 31-42.

The Facts

Respondent Benjamin Tan ("Tan") is a registered co-owner of a parcel of land located in Gaognan-Tara, Sipocot, Camarines Sur, with an area of 302,302 square meters covered by Transfer Certificate of Title (TCT) No. 3958 issued by the Registry of Deeds for the Province of Camarines Sur.[2]

Sometime in July 1997, Tan, with the other co-owners,[3] filed several complaints for ejectment against petitioners, who they claim were occupying approximately four (4) hectares of the property.[4] According to Tan, *et al.*, petitioners, after harvesting the various trees and crops planted on the property and despite repeated demands, have failed to remit any amount or part of the harvest gathered. They also claimed that petitioners have sold and encumbered their rights to third persons who are now in actual possession of their portion of the property.[5]

Disputing the foregoing allegations, petitioners prayed for the dismissal of the complaints. They countered that they have a tenancy agreement with Tan, *et al.* wherein the former bound themselves to give to the latter an amount equivalent to two-thirds (2/3) share of the produce or income in the property. They further claim that they have been religiously remitting said share to Tan and his co-owners, through their overseer Sandy Nunez.[6] According to petitioners, the payments were "always withheld and deposited with [Tan *et al.*'s] 'authorized comprador' and these deposited payments with the comprador were being withdrawn by [Tan, *et al.*'s] above-named overseer."[7]

Ruling of the Provincial Adjudicator

In a *Joint Decision* dated July 15, 1999,[8] Provincial Adjudicator Virgil G. Alberto ordered the dismissal of the complaints.

Provincial Adjudicator Alberto found that petitioners "have substantially delivered the landowner's share" as admitted by respondent Tan in an affidavit dated July 24, 1997. In the affidavit, Tan allegedly declared that petitioners have made "irregular and meager remittances" representing the landowner's share of the produce.[9] According to Provincial Adjudicator Alberto, although Tan, *et al.* questioned the authenticity of the receipts presented by petitioners, "still by such statement or admission in the

---

2 *Id.* at 53-54.

3 Romeo, Cecil, Josephine and Norma Tan.

4 *Rollo*, pp. 49-51.

5 *Id.* at 49-50.

6 *Id.* at 56.

7 *Id.*

8 PARAD Case Nos. R-0503-0277-'98, R-0503-0279-'98, R-0503-0282-'98, and R-0503-0283-'98, *rollo*, pp. 55-59. It appears that the Provincial Adjudicator rendered similar Decisions on May 28, 1998 (in PARAD Case Nos. R-0503-0278'98 and R-0503-0280-'98) and June 10, 1999 (in PARAD Case Nos. 0503-0281-'98, R-0503-0284-'98, R-0503-0285-'98). See *rollo*, pp. 65-68.

9 *Id.* at 57.

aforesaid affidavit, they can not say that [petitioners] were completely remissed (*sic*) in their obligation to deliver the landowner's share."[10]

Even assuming that petitioners failed to remit respondent's share *in full,* this fact alone will not result in a dispossession of the land. Citing *Roxas y Cia v. Cabatuando,*[11] the Provincial Adjudicator held that "mere failure of a tenant to pay the landlord's share does not necessarily give the latter the right to eject the former when there is lack of deliberate intent on the part of the tenant to pay."[12]

Considering, however, that the landowner's share actually delivered was not in full satisfaction of the amount due the latter, petitioners were ordered to render accounting of harvest and deliver all arrearages to Tan, *et al.* The dispositive portion of the Joint Decision reads:

> WHEREFORE, premises considered, decision is hereby rendered as follows:
>
> 1. Ordering the [petitioners] to render an accounting of harvest from the year 1995 up to the filing of these cases on March 1998, afterwhich to deliver the arrearages, if any, and the just share due [Tan, *et al.*] for the same period;
> 2. Ordering the [petitioners] to deliver the landowner's share to [Tan, *et al.*] for the harvest beginning April 1998 until such time that there is yet no new leasehold contract entered into by and between herein party-litigants;
> 3. Ordering the MARO of Sipocot, Camarines Sur or his duly-authorized representative to assist herein parties in the execution of a new agricultural leasehold contract; and
> 4. Ordering the parties to comply religiously and in good faith with the terms and conditions to be stipulated in the aforesaid contract.
>
> Claim for damages is hereby ordered dismissed for lack of substantial evidence to prove the same.
>
> No pronouncement as to costs.
>
> SO ORDERED.[13]

Tan, *et al.*'s allegation that petitioners have already sold to third persons their rights as tenants of the land was also rejected for being "completely unsupported by evidence."[14]

---

10 *Id.*
11 G.R. No. L-16963, April 26, 1961, 1 SCRA 1106, 1108.
12 *Rollo*, p. 57.
13 *Id.* at 58.
14 *Id.* at 57.

Aggrieved, Tan, *et al.* filed appeals with the Department of Agrarian Reform Adjudication Board (DARAB). These appeals were docketed as DARAB Case Nos. 9151, 9152, 9153, 9154, 9155, 9156, 9157, 9158 and 9159. Due to the similarities in subject matter, cause of action and party-appellants, these cases were consolidated.

Ruling of the DARAB

In its Decision dated November 19, 2003,[15] the DARAB denied Tan, *et al.*'s appeals. The dispositive portion of the DARAB's Decision states:

> WHEREFORE, in the light of the foregoing premises, the Board hereby AFFIRMS in toto the appealed decisions of the Hon. Adjudicator for the Province of Camarines Sur.
>
> SO ORDERED.[16]

The DARAB affirmed the decision of the Provincial Adjudicator finding that Tan, *et al.* did not present substantial evidence to warrant petitioners' ejectment based on non-payment of rentals.[17] It considered Tan's statement in his Affidavit dated July 24, 1997 acknowledging the irregular and meager remittances made by petitioners.[18] It also found that petitioners paid lease rentals through Tan, *et al.*'s authorized representatives:

> In addition, Rolando Candelaria stated in his Affidavit of May 12, 1998 that:
>
> > "2. That I am the buyer of the copra produce in the land owned by Mr. Romeo Tan, *et al.*, covered by Title No. TCT-3958 and located at Tara, Sipocot, Camarines Sur;
> >
> > 3. That the landowner's share in the above-mentioned property representing 2/3 of the net produce were already withheld and deposited in my comprada and later on withdrawn by Mr. Sandy Nunez;"
>
> Likewise, Felomino Garcia, BARC-Chairman of Barangay Tara, Sipocot, Camarines Sur, attested in his Affidavit of May 7, 1998 that:
>
> > 2. I am the duly instituted overseer of a parcel of land owned by Romeo S. Tan, *et al.* embraced by Title No. TCT 3958 located at Tara-Gaongan, Sipocot, Camarines Sur;
> >
> > 3. That as per instruction of the landowners, he

---

15 *Id.* at pp. 65-73.
16 *Id.* at 73.
17 *Id.* at 70.
18 *Id.*

> instructed the tenants of the above-mentioned property that during harvest season the landowners share in the subject property be remitted and deposited to Candelaria Comprada owned by Mr. Rolando Candelaria;
>
> The aforementioned Affidavits clearly manifest that [petitioners] were paying their lease rentals to [Tan, *et al.*] through the latter's authorized representatives.[19]

On August 18, 2004, the DARAB denied the motion for reconsideration subsequently filed for lack of merit.[20] Thus, Tan filed with the Court of Appeals a Petition for Review under Rule 43 of the Rules of Court. This was docketed as CA-G.R. SP No. 86674.

Ruling of the Court of Appeals

The Court of Appeals granted Tan's petition. Reversing both the Provincial Adjudicator and the DARAB, the Court of Appeals found that petitioners failed to substantiate their claim of payment, whether partially or in full, of the landowners' share. It did not give weight to the rental receipts presented by petitioners, stating that the presentation of the same does not conclusively establish the fact of payment or confirm receipt by Tan (or his co-owners) of the amounts stated therein.[21]

The Court of Appeals reasoned that petitioners, as debtors pleading payment, have the burden of showing with legal certainty that their obligation has been discharged by payment.[22] Having failed to meet the burden, the Court ordered petitioners (and all other persons claiming rights under them) to vacate the portion of the property they are occupying and surrender its peaceful possession to Tan or his co-owners.[23]

The Petition

Petitioners argue that the Court of Appeals erred in upholding Tan's allegation of non-payment of lease rentals. They claim that while failure to pay lease rentals is indeed a ground for the dispossession of a tenant or termination of the tenancy relationship, the non-payment of lease rentals must be shown to be deliberate and intentional.[24] No such showing was made in this case. Petitioners maintain that they have paid their lease rentals "every time they harvest, as evidenced by receipts issued to them" and attached in the record. Even assuming that petitioners were remiss in their obligation to pay the required rentals for some years, the same was not deliberate, but rather "due to the fact that they do not know who is the true

---

19 *Id.* at 71.
20 *Rollo*, p. 35.
21 *Id.* at 36-38.
22 *Id.* at 39.
23 *Id.* at 41.
24 *Id.* at 22-26.

owner of the subject landholding."[25]

Tan, on the other hand, contends that the payment of lease rental being an obligation, the burden to prove payment shifted to petitioners.[26] Quoting extensively from the Decision of the Court of Appeals, Tan insists that the rental receipts presented by petitioners do not prove the fact of payment to, or receipt by, Tan, *et al.* of the landowners' share. Even assuming that there were payments made to Candelaria and/or Nuñez, these do not produce the effect of payment as they were paid to unauthorized persons.[27] According to Tan, "petitioners should have made the proper verification."[28]

The Ruling of the Court

Burden of proving sufficient cause for eviction of tenants rests on the landowner

At the outset, we note from the challenged Decision the following statement of the Court of Appeals:

> xxx The [petitioners] should have endeavored to fully substantiate their claim of payment considering that [Tan] disputes or fails to acknowledge the fact of payment. Well-settled is the rule that one who pleads payment has the burden of proving it. Even where the plaintiff must allege non-payment, the general rule is that the burden rests on the defendant to prove non-payment. **The debtor has the burden of showing with legal certainty that the obligation has been discharged by payment.**
>
> **In this case, [petitioners] failed to discharge their burden. They failed to prove the fact of payment. No evidence was presented showing receipt and acknowledgement by [Tan, *et al.*] of payment of rentals or their rightful share in the harvest/produce.** xxx.
>
> In fact, the very disposition of the agency below ordering [petitioners] to render an accounting of the harvest from 1995 to 1998 and to deliver arrearages as well as [Tan's] share in the harvest from 1998 only underscores the non-payment by [petitioners] of the landowners' share in the harvest.[29] (Emphasis supplied.)

We disagree.

Under the law, the landowner or agricultural lessor has the burden of

---

25 *Id.* at 24.

26 Comment and/or Opposition to the Petition for Review on Certiorari, *rollo*, p. 89.

27 *Id.* at 89-90.

28 *Id.* at 90.

29 *Id.* at 39-40.

proving the existence of a lawful cause for the eviction of a tenant or agricultural lessee.[30] This rule proceeds from the principle that a tenancy relationship, once established, entitles the tenant to security of tenure and can only be ejected from the agricultural landholding on grounds provided by law.[31] Following this rule, the burden is upon Tan, *et al.*, and not petitioners, to show that there was cause for the latter's eviction. It was thus error for the Court of Appeals to order petitioner's eviction from the property on the basis of their failure to prove payment of lease rentals.

Ground alleged for the dispossession of the land from herein petitioners

Non-payment of lease rentals whenever they fall due is a ground for the ejectment of an agricultural lessee under paragraph 6, Section 36 of Republic Act No. 3844, otherwise known as the Agricultural Land Reform Code. This paragraph reads:

> SEC. 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:
>
> xxx
>
> (6) The agricultural lessee does not pay the lease rental when it falls due: *Provided,* That if the non-payment of the rental shall be due to crop failure to the extent of seventy-five *per centum* as a result of a fortuitous event, the non-payment shall not be a ground for dispossession, although the obligation to pay the rental due that particular crop is not thereby extinguished; xxx.

For non-payment of lease rental to be a valid ground to dispossess the agricultural lessee of the landholding, however, the amount of the lease rental must first of all be lawful. When it exceeds the limit allowed by law, non-payment of rentals cannot be a ground to dispossess an agricultural lessee of the landholding.[32]

---

30 Section 37 of Republic Act No. 3844, otherwise known as the Agricultural Reform Code, provides:

> SEC. 37. *Burden of Proof.* – The burden of proof to show the existence of a lawful cause for the ejectment of an agricultural lessee shall rest upon the agricultural lessor.

31 *Galope v. Bugarin*, G.R. No. 185669, February 1, 2012, 664 SCRA 733, 740. See also Section 7 of R.A. No. 3844.

32 *Heirs of Enrique Tan, Sr. v. Pollescas*, G.R. No. 145568, November 17, 2005, 475 SCRA 203, 213.

Section 34 of R.A. No. 3844, as amended, provides:

> SEC. 34. *Consideration for the Lease of Riceland and Lands Devoted to Other Crops.* – **The consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent of twenty-five per centum of the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable**: Provided, That if the land has been cultivated for a period of less than three years, the initial consideration shall be based on the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly-cultivated lands, if that harvest is normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years.
>
> In the absence of any agreement between the parties as to the rental, the Court of Agrarian Relations shall summarily determine a provisional rental in pursuance of existing laws, rules and regulations and production records available in the different field units of the department, taking into account the extent of the development of the land at the time of the conversion into leasehold and the participation of the lessee in the development thereof. This provisional rental shall continue in force and effect until a fixed rental is finally determined. The court shall determine the fixed rental within thirty days after the petition is submitted for decision.
>
> If capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to said improvements. In case of disagreement, the Court shall determine the reasonable increase in rental. (Emphasis and underscoring supplied.)

Tan cites the following as ground for petitioners' ejectment from the subject landholding:

> 2. There are supposed to be at least six (6) harvests in a year and **the rentals... due to the agricultural lessors, is two-third (2/3) of every harvest**. Regretfully, petitioners made meager payments of the rentals only in 1994 and 1995.[33] (Emphasis and underscoring supplied.)

---

[33] Comment and/or Opposition to the Petition for Review on Certiorari, *rollo*, pp. 83-84.

The landowners' share being demanded from petitioners, equivalent to two-thirds of the harvest, exceeds the twenty percent maximum amount set by law. Non-payment of this share thus cannot legally be used as a ground to eject petitioners. Furthermore, as a consequence of the parties' failure to agree on a *lawful* lease rental, neither can petitioners be considered to be in default in the payment of lease rentals. Our ruling in *Heirs of Enrique Tan, Sr. v. Pollescas* is particularly applicable:

> Section 34 of RA 3844 as amended mandates that "not xxx more than" 25% of the average normal harvest shall constitute the just and fair rental for leasehold. In this case, the Tan heirs demanded Reynalda to deliver 2/3 of the harvest as lease rental, which clearly exceeded the 25% maximum amount prescribed by law. Therefore, **the Tan Heirs cannot validly dispossess Reynalda of the landholding for non-payment of rental precisely because the lease rental claimed by the Tan Heirs is unlawful**.
>
> **Even assuming Reynalda agreed to deliver 2/3 of the harvest as lease rental, Reynalda is not obliged to pay such lease rental for being unlawful. <u>There is no legal basis to demand payment of such unlawful lease rental.</u>** The courts will not enforce payment of a lease rental that violates the law. There was no validly fixed lease rental demandable at the time of the harvests. Thus, Reynalda was never in default.
>
> **Reynalda and the Tan Heirs failed to agree on a lawful lease rental.** Accordingly, the DAR must first fix the provisional lease rental payable by Reynalda to the Tan Heirs pursuant to the second paragraph of Section 34 of RA 3844 as amended. Until the DAR has fixed the provisional lease rental, Reynalda cannot be in default in the payment of lease rental since such amount is not yet determined. **<u>There can be no delay in the payment of an undetermined lease rental because it is impossible to pay an undetermined amount.</u> That Reynalda is not yet in default in the payment of the lease rental is a basic reason why she cannot be lawfully ejected from the Land for non-payment of rental.**[34] (Citations omitted; emphasis and underscoring supplied.)

We thus reverse the Decision of the Court of Appeals and uphold the dismissal of the complaint for ejectment filed against petitioners. In view of our ruling, we see no need to resolve, at this time, the issues relative to petitioners' defense of payment.

To be clear, petitioners are **not** excused from the payment of the *proper* lease rentals. For as long as the tenancy relationship subsists,

---

[34] G.R. No. 145568, November 17, 2005, 475 SCRA 203, 213-215.

petitioners must continue paying rentals.[35] Absent any agreement between the parties providing for a lawful lease rental amount, the Department of Agrarian Reform (DAR), following this Court's ruling in *Heirs of Enrique Tan, Sr. v. Pollescas*, must first fix the amount of the provisional lease rental. Once determined, petitioners must thereafter pay rentals, without prejudice to any defenses petitioners or respondent may raise.

WHEREFORE, the petition is **GRANTED**. Accordingly, we **REVERSE** and **SET ASIDE** the assailed *Decision* and *Resolution* of the Court of Appeals dated February 13, 2007 and September 15, 2008, respectively, in CA-G.R. SP No. 86674. The Court **REMANDS** this case to the Department of Agrarian Reform, through the Office of the Provincial Adjudicator, Camarines Sur, for the determination of the provisional rental.

SO ORDERED.

FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

BIENVENIDO L. REYES
Associate Justice

ATTESTATION

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

---

35 *Galope v. Bugarin*, G.R. No. 185669, February 1, 2012, 664 SCRA733, 743.

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice

CERTIFIED TRUE COPY
WILFREDO V. LAPITAN
Division Clerk of Court
Third Division
MAR 14 2016