



Republic of the Philippines
Supreme Court
Baguio City

SECOND DIVISION

MICHAEL SEBASTIAN,
 Petitioner,

G.R. No. 164594

Present:

- versus -

CARPIO, *J.*, Chairperson,
 BRION,
 DEL CASTILLO,
 MENDOZA, and
 LEONEN, *JJ.*

ANNABEL LAGMAY NG, represented
by her Attorney-in-fact, ANGELITA
LAGMAY,
 Respondent.

Promulgated:

'22 APR 2015

x-----
Atty. Catalina B. Reyes

DECISION

BRION, J.:

We resolve the petition for review on *certiorari*,¹ filed by petitioner Michael Sebastian (*Michael*), assailing the March 31, 2004 Decision,² and the July 15, 2004 Resolution³ of the Court of Appeals (*CA*) in CA-G.R. SP No. 65450.

The *CA* decision reversed and set aside the decision of the Regional Trial Court (*RTC*) of Palayan City, Branch 40, in SP. Proc. Case No. 0096-P.

Factual Background

Sometime in 1997, Angelita Lagmay (*Angelita*), acting as representative and attorney-in-fact of her daughter Annabel Lagmay Ng (*Annabel*), filed a complaint before the *Barangay* Justice of Siclong, Laur, Nueva Ecija. She sought to collect from Michael the sum of ₱350,000.00

¹ *Rollo*, pp. 3-35.

² *Id.* at 41-47; penned by Associate Justice Hakim S. Abdulwahid and concurred in by Associate Justices Delilah Vidallon-Magtolis and Andres B. Reyes, Jr.

³ *Id.* at 76.

M

that Annabel sent to Michael. She claimed that Annabel and Michael were once sweethearts, and that they agreed to jointly invest their financial resources to buy a truck. She alleged that while Annabel was working in Hongkong, Annabel sent Michael the amount of ₱350,000.00 to purchase the truck. However, after Annabel and Michael's relationship has ended, Michael allegedly refused to return the money to Annabel, prompting the latter to bring the matter before the Barangay Justice.

On July 9, 1997, the parties entered into an amicable settlement, evidenced by a document denominated as "*kasunduan*"⁴ wherein Michael agreed to pay Annabel the amount of ₱250,000.00 on specific dates. The *kasunduan* was signed by Angelita (on behalf of Annabel), Michael, and the members of the *pangkat ng tagapagkasundo*. The *kasunduan* reads:

KASUNDUAN

Nagkasundo ang dalawang panig na pagkayari ng labing apat na buwan (14 months) simula ngayong July 9, 1997 hanggang September 1998 ay kailangan ng maibigay ni Mr. Sebastian ang pera ni Ms. Anabelle Lagmay.

At napagkasunduan ay dalawang hulog ang halagang ₱250,000.00 na pera ni Ms. Lagmay at simula ng pagbibigay ni Mr. Sebastian ay sa buwan ng September 1998.

At upang may katunayan ang lahat ng napag usapan ay lumagda sa ibaba nito at sa harap ng mga saksi ngayong ika-9 ng Hulyo, 1997

Mrs. Angelita Lagmay – (Lagda)
Mr. Michael Sebastian – (Lagda)

Saksi: Kagawad Rolando Mendizabal – (Lagda)
Hepe Quirino Sapon – (Lagda)
Benjamin Sebastian – (Lagda)
Jun Roxas - (Lagda)

Angelita alleged that the *kasunduan* was not repudiated within a period of ten (10) days from the settlement, in accordance with the *Katarungang Pambarangay Law* embodied in the Local Government Code of 1991 [Republic Act (R.A.) No. 7160], and Section 14 of its Implementing Rules. When Michael failed to honor the *kasunduan*, Angelita brought the matter back to the *Barangay*, but the *Barangay Captain* failed to enforce the *kasunduan*, and instead, issued a Certification to File Action.

After about one and a half years from the date of the execution of the *kasunduan* or on January 15, 1999, Angelita filed with the Municipal Circuit Trial Court (MCTC) of Laur and Gabaldon, Nueva Ecija, a Motion for Execution of the *kasunduan*.

⁴ Id. at 85.

Michael moved for the dismissal of the Motion for Execution, citing as a ground Angelita's alleged violation of Section 15, Rule 13 of the 1997 Rules of Civil Procedure.

On January 17, 2000, the MCTC rendered a decision⁵ in favor of Annabel, the dispositive portion of which reads, as follows:

WHEREFORE, the plaintiff through counsel has satisfactorily proven by preponderance of evidence based on Exhibits "A," "B," "C," "D," and "F," that defendant has obligation to the plaintiff in the amount of ₱250,000.00.

IN VIEW OF THE FOREGOING, the Motion for Execution filed by the plaintiff is hereby granted based on Sec. 2, Rule 7 of the Implementing Rules and Regulations of Republic Act No. 7160, and therefore, defendant is hereby ordered within 15 days upon receipt of this decision to pay the plaintiff the amount of ₱250,000.00 as evidenced by the *Kasunduan* (Exhibit "C") with legal interests from July 9, 1997 until said obligation is fully paid, and to pay attorney's fees for the plaintiff's counsel in the amount of ₱15,000.00 and to pay the cost of the suit.

SO ORDERED.

Michael filed an appeal with the RTC arguing that the MCTC committed grave abuse of discretion in prematurely deciding the case. Michael also pointed out that a hearing was necessary for the petitioner to establish the genuineness and due execution of the *kasunduan*.

The Regional Trial Court's Ruling

In its November 13, 2000 Decision,⁶ the RTC, Branch 40 of Palayan City upheld the MCTC decision, finding Michael liable to pay Annabel the sum of ₱250,000.00. It held that Michael failed to assail the validity of the *kasunduan*, or to adduce any evidence to dispute Annabel's claims or the applicability of the Implementing Rules and Regulations of R.A. No. 7160. The dispositive portion of the decision reads:

WHEREFORE, the assailed Decision and Order of the lower court is hereby MODIFIED in that the appellant is ordered to pay the appellee the amount of Two hundred Fifty Thousand pesos (₱250,000.00) plus twelve percent interest(12%) per annum from September, 1998 up to the time it is actually paid and fifty Thousand Pesos(₱50,000.00) representing attorney's fees.

Michael filed a Motion for Reconsideration arguing that: (i) an amicable settlement or arbitration award can be enforced by the *Lupon* within six (6) months from date of settlement or after the lapse of six (6) months, by ordinary civil action in the appropriate City or Municipal Trial

⁵ Id. at 119-121.

⁶ CA *rollo*, pp. 78-83.

Court and not by a mere Motion for execution; and (ii) the MCTC does not have jurisdiction over the case since the amount of ₱250,000.00 (as the subject matter of the *kasunduan*) is in excess of MCTC's jurisdictional amount of ₱200,000.00.⁷

In its March 13, 2001 Order, the RTC granted Michael's Motion for Reconsideration, and ruled that there is merit in the jurisdictional issue he raised. It dismissed Angelita's Motion for Execution, and set aside the MCTC Decision. The dispositive portion of the said Order reads:

WHEREFORE, the Motion for Reconsideration is GRANTED. The Decision of the Court dated November 13, 2000 is hereby SET ASIDE. The Decision of the Municipal Trial Court of Laur, Nueva Ecija dated January 17, 2000 is likewise SET ASIDE and the Motion for Execution of *Kasunduan* is DISMISSED, the said court having had no jurisdiction to hear and decide the matter.⁸

Angelita moved for the reconsideration of the March 13, 2001 Order, but the motion was subsequently denied. Aggrieved, she filed a Petition for Review⁹ with the CA.

The Court of Appeal's Ruling

On August 2, 2001, the CA initially dismissed the petition for review on a mere technical ground of failure to attach the Affidavit of Service. Angelita moved for reconsideration, attaching in her motion the Affidavit of Service. The CA granted the motion.

On March 31, 2004, the CA rendered its decision granting the petition, and reversing the RTC's decision. The CA declared that the "*appropriate local trial court*" stated in Section 2, Rule VII of the Implementing Rules of R.A. No. 7160 refers to the municipal trial courts. Thus, contrary to Michael's contention, the MCTC has jurisdiction to enforce any settlement or arbitration award, regardless of the amount involved.

The CA also ruled that Michael's failure to repudiate the *kasunduan* in accordance with the procedure prescribed under the Implementing Rules of R.A. No. 7160, rendered the *kasunduan* final. Hence, Michael can no longer assail the *kasunduan* on the ground of forgery.

Michael moved to reconsider this decision, but the CA denied his motion in its resolution dated July 15, 2004. Hence, this petition.

⁷ Id. at 131-149.

⁸ Id. at 159-161.

⁹ Id. at 171-179.

The Petition

In the present petition for review on *certiorari*, Michael alleges that the *kasunduan* cannot be given the force and effect of a final judgment because it did not conform to the provisions of the *Katarungang Pambarangay* law embodied in Book III, Title One, Chapter 7 of R.A. No. 7160. He points out the following irregularities in the *kasunduan*'s execution, and claims that the agreement forged between him and Angelita was fictitious and simulated:

- (1) there was no record of the complaint in the *Barangay*;
- (2) there was no notice of mediation sent to him;
- (3) there was no constitution of the *Pangkat Ng Tagapagasundo*;
- (4) the parties were never called upon to choose the three (3) members from among the *Lupon* members;
- (5) he had no participation in the execution of the *kasunduan*;
- (6) his signature in the *kasunduan* was forged;
- (7) he did not personally appear before the *Barangay*;
- (8) there was no attestation clause;
- (9) the *kasunduan* was neither reported nor filed before the MCTC; and
- (10) Annabel, the real party in interest, did not personally appear before the *Barangay* as required by the law.

Michael additionally claims that the *kasunduan* is merely in the nature of a private document. He also reiterates that since the amount of ₱250,000.00 – *the subject matter of the kasunduan* – is in excess of MCTC's jurisdictional amount of ₱200,000.00, the *kasunduan* is beyond the MCTC's jurisdiction to hear and to resolve. Accordingly, the proceedings in the *Barangay* are all nullity.

The Issues

The issues to be resolved in the present petition are:

1. Whether or not the MCTC has the authority and jurisdiction to execute the *kasunduan* regardless of the amount involved;
2. Whether or not the *kasunduan* could be given the force and effect of a final judgment; and
3. Whether or not the *kasunduan* can be enforced.

The Court's Ruling

We deny the petition.

A perusal of the body of the motion for execution shows that it is actually in the nature of an action for execution; hence, it was a proper remedy;

We note at the outset that Michael raised – in his brief before the CA – the issue of wrong remedy. He alleged that Angelita’s recourse should have been to file a civil action, not a mere motion for execution, in a regular court. However, the CA failed to address this issue and only ruled on the issues of the *kasunduan*’s irregularities and the MCTC’s jurisdiction.

A simple reading of Section 417 of the Local Government Code readily discloses the two-tiered mode of enforcement of an amicable settlement. The provision reads:

Section 417. Execution. - The amicable settlement or arbitration award may be enforced by execution by the *lupon* within six (6) months from the date of the settlement. After the lapse of such time, the settlement may be enforced **by action** in the appropriate city or municipal court. [Emphasis ours.]

Under this provision, an amicable settlement or arbitration award that is not repudiated within a period of ten (10) days from the settlement may be enforced by: **first**, execution by the *Lupon* within six (6) months from the date of the settlement; or **second**, by an *action* in the appropriate city or municipal trial court if more than six (6) months from the date of settlement has already elapsed.

Under the first mode of enforcement, the execution of an amicable settlement could be done on mere motion of the party entitled thereto before the *Punong Barangay*.¹⁰ The proceedings in this case are summary in nature

¹⁰ The *Katarungang Pambarangay* Implementing Rules and Regulations issued by the Department of Interior and Local Government provides:

SECTION 3. Motion for Execution. - The disputant/s may file a motion with the Punong Barangay, copy furnished to the other disputant/s, for the execution of a final settlement or award which has not been complied with.

SECTION 4. Hearing. - On the day the motion for execution is filed, the Punong Barangay shall set the same for hearing on a date agreed to by the movant, which shall not be later than five (5) days from the date of the filing of the motion. The Punong Barangay shall give immediate notice of hearing to the other party.

During the hearing, the Punong Barangay shall ascertain the fact of non-compliance with the terms of the settlement or award. Upon such determination of non-compliance, the Punong Barangay shall strongly urge the party obliged to voluntarily comply with the settlement or award.

SECTION 5. Issuance, form and contents of the notice of the execution. - The Punong Barangay shall within [5] days from the day of hearing, determine whether or not voluntary compliance can be secured. Upon the lapse of said five-day period, there being no voluntary compliance, he shall issue a notice of execution in the name of the *Lupon*

and are governed by the Local Government Code and *the Katarungang Pambarangay Implementing Rules and Regulations*.

The second mode of enforcement, on the other hand, is judicial in nature and could only be resorted to through the institution of **an action in a regular form** before the proper City/Municipal Trial Court.¹¹ The proceedings shall be governed by the provisions of the Rules of Court.

Indisputably, Angelita chose to enforce the *kasunduan* under the second mode and filed a motion for execution, which was docketed as Special Proceedings No. 45-99. The question for our resolution is: *Whether the MCTC, through Angelita's motion for execution, is expressly authorized to enforce the kasunduan under Section 417 of the Local Government Code?*

The Court rules in the affirmative.

It is undisputed that what Angelita filed before the MCTC was captioned "*motion for execution*," rather than a petition/complaint for execution.

A perusal of the motion for execution, however, shows that it contains the material requirements of an initiatory action.

Tagapamayapa. The said notice must intelligently refer to the settlement or award and the amount actually due thereunder if it be for money, or the terms thereof which must be complied with.

SECTION 6. Procedure for execution:

a. If the execution be for the payment of money, the party obliged is allowed a period of five [5] days to make a voluntary payment, failing which, the Punong Barangay shall take possession of sufficient personal property located in the barangay of the party obliged to satisfy the settlement or award from the proceeds of the sale thereof with legal interest such sale to be conducted in accordance with the procedure herein provided. If sufficient personal property exists, the party obliged is allowed to point out which of them shall be taken possession of ahead of the others. If personal property is not sufficient to satisfy the settlement or award, the deficiency shall be satisfied in accordance with the applicable provisions of the Rules of Court.

b. If it be for the delivery or restitution of property located in the barangay, the Punong Barangay shall oust therefrom the person against whom the settlement or award is rendered and place the place the party entitled thereto in possession of such property.

If it be for the delivery or restitution of property located in another barangay of the same city or municipality, the Punong Barangay issuing the notice shall authorize the Punong Barangay of the barangay where the property is situated to take possession of the property and to act in accordance with paragraph [b] hereof.

d. If a settlement or award directs to a party to execute a conveyance of land, or to deliver deeds or other documents, or to perform any other specific act, and the party fails to comply within the time specified, the Punong Barangay may direct the Lupon Secretary to perform the act at the cost of the disobedient party and the act when so done shall like effects as if done by the party.

¹¹ *Miguel v. Montanez*, G.R. No. 191336, January 25, 2012; *Chavez v. Court of Appeals*, G.R. No. 159411, March 18, 2005.

First, the motion is sufficient in form¹² and substance.¹³ It is complete with allegations of the ultimate facts constituting the cause of action; the names and residences of the plaintiff and the defendant; it contains the prayer for the MCTC to order the execution of the *kasunduan*; and there was also a verification and certification against forum shopping.

Furthermore, attached to the motion are: 1) the authenticated special power of attorney of Annabel, authorizing Angelita to file the present action on her behalf; and 2) the copy of the *kasunduan* whose contents were quoted in the body of the motion for execution.

It is well-settled that what are controlling in determining the nature of the pleading are the allegations in the body and not the caption.¹⁴

Thus, the motion for execution that Angelita filed was intended to be an initiatory pleading or an original action that is compliant with the requirement under Section 3, Rule 6 of the Rules of Court that the complaint should allege the plaintiff's cause of action and the names and residences of the plaintiff and the defendant.

Angelita's motion could therefore be treated as an original action, and not merely as a motion/special proceeding. For this reason, Annabel has filed the proper remedy prescribed under Section 417 of the Local Government Code.

However, Angelita should pay the proper docket fees corresponding to the filing of an action for execution. The docket fees shall be computed by the Clerk of Court of the MCTC, with due consideration, of course, of what Angelita had already paid when her motion for execution was docketed as a special proceeding.

The kasunduan has the force and effect of a final judgment.

Under Section 416 of the Local Government Code, the amicable settlement and arbitration award shall have the force and effect of a final judgment of a court upon the expiration of ten (10) days from the date of its

¹² A pleading is sufficient in form when it contains the following: (1) A Caption, setting forth the name of the court, the title of the action indicating the names of the parties, and the docket number which is usually left in blank, as the Clerk of Court has to assign yet a docket number; (2) The Body, reflecting the designation, the allegations of the party's claims or defenses, the relief prayed for, and the date of the pleading; (3) The Signature and Address of the party or counsel; (4) Verification. This is required to secure an assurance that the allegations have been made in good faith, or are true and correct and not merely speculative; (5) A Certificate of Non-forum Shopping, which although not jurisdictional, the same is obligatory; (6) An Explanation in case the pleading is not filed personally to the Court. Likewise, for pleading subsequent to the complaint, if the same is not served personally to the parties affected, there must also be an explanation why service was not done personally. (*Spouses Carlos Munsalud and Winnie Munsalud v. National Housing Authority*, G.R. No. 167181, December 23, 2008.)

¹³ Substance is one which relates to the material allegations in the pleading. It is determinative of whether or not a cause of action exists. It is the central piece, the core, and the heart constituting the controversy addressed to the court for its consideration. It is the embodiment of the essential facts necessary to confer jurisdiction upon the court. (*Spouses Carlos Munsalud and Winnie Munsalud v. National Housing Authority*, *supra* note 12.)

¹⁴ *Id.*

execution, unless the settlement or award has been repudiated or a petition to nullify the award has been filed before the proper city or municipal court.

Moreover, Section 14, Rule VI of the *Katarungang Pambarangay Implementing Rules* states that the party's failure to repudiate the settlement within the period of ten (10) days shall be deemed a waiver of the right to challenge the settlement on the ground that his/her consent was vitiated by fraud, violence or intimidation.

In the present case, the records reveal that Michael never repudiated the *kasunduan* within the period prescribed by the law. Hence, the CA correctly ruled that the *kasunduan* has the force and effect of a final judgment that is ripe for execution.

Furthermore, the irregularities in the *kasunduan's* execution, and the claim of forgery are deemed waived since Michael never raised these defenses in accordance with the procedure prescribed under the Local Government Code. Thus, we see no reason to discuss these issues in the present case.

The MCTC has the authority and jurisdiction to enforce the kasunduan regardless of the amount involved.

The Court also finds that the CA correctly upheld the MCTC's jurisdiction to enforce any settlement or arbitration award issued by the *Lupon*.

We again draw attention to the provision of Section 417 of the Local Government Code that after the lapse of the six (6) month period from the date of the settlement, the agreement may be enforced by action in the appropriate city or municipal court.

The law, as written, unequivocally speaks of the "*appropriate city or municipal court*" as the forum for the execution of the settlement or arbitration award issued by the *Lupon*. Notably, in expressly conferring authority over these courts, Section 417 made no distinction with respect to the amount involved or the nature of the issue involved. Thus, there can be no question that the law's intendment was to grant jurisdiction over the enforcement of settlement/arbitration awards to the city or municipal courts *the regardless of the amount*. A basic principle of interpretation is that words must be given their literal meaning and applied without attempted interpretation where the words of a statute are clear, plain and free from ambiguity.¹⁵

¹⁵ *Globe-Mackay Cable and Radio Corporation v. NLRC*, G.R. No. 82511, March 3, 1992, 206 SCRA 701, 711.

WHEREFORE, premises considered, we hereby **DENY** the petitioner’s petition for review on *certiorari*, and **AFFIRM** the March 31, 2004 Decision of the Court of Appeals in CA-G.R. SP No. 65450.

Angelita Lagmay is **ORDERED** to pay the proper docket fees to be computed by the Clerk of Court of the Municipal Circuit Trial Court of Laur and Gabaldon, Nueva Ecija, with due consideration of what she had paid when her motion for execution was docketed as a special proceeding.

SO ORDERED.


ARTURO D. BRION
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice
Chairperson



MARIANO C. DEL CASTILLO
Associate Justice


JOSE CATRAL MENDOZA
Associate Justice


MARVIC M.V.F. LEONEN
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.


ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

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



MARIA LOURDES P. A. SERENO
Chief Justice