



Republic of the Philippines
 Supreme Court
 Baguio City

SPECIAL SECOND DIVISION

LAND BANK OF THE PHILIPPINES, G.R. No. 191667

Petitioner,

Present:

- versus -

EDUARDO M. CACAYURAN, Respondent,

CARPIO, J., Chairperson,
 BRION,
 DEL CASTILLO,
 PEREZ, and
 PERLAS-BERNABE, JJ.

MUNICIPALITY OF AGOO, LA UNION, Intervenor.

Promulgated:

22 APR 2015

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AMENDED DECISION

PERLAS-BERNABE, J.:

Before the Court are the following motions: (a) the Motion for Reconsideration¹ dated May 22, 2013, filed by petitioner Land Bank of the Philippines (LBP) assailing the Decision² dated April 17, 2013 of the Court (April 17, 2013 Decision), which upheld the Decision³ dated March 26, 2010 of the Court of Appeals (CA) in CA-G.R. CV. No. 89732 affirming with modification the Decision⁴ dated April 10, 2007 of the Regional Trial Court of Agoo, La Union, Branch 31 in Civil Case No. A-2473; (b) the Motion for Leave to Intervene with Pleading-in-Intervention Attached⁵ dated July 8, 2013, filed by the Municipality of Agoo, La Union (Municipality) praying that it be allowed to intervene in this case; and (c) the

¹ Rollo, pp. 377-382.

² *Land Bank of the Philippines v. Cacayuran*, G.R. No. 191667, April 17, 2013, 696 SCRA 861. See also rollo, pp. 365-376.

³ Rollo, pp. 42-73. Penned by Associate Justice Celia C. Librea-Leagogo with Associate Justices Ramon R. Garcia and Stephen C. Cruz concurring.

⁴ Id. at 74-203. Penned by Executive Judge Clifton U. Ganay.

⁵ Id. at 387-393.

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Motion for Reconsideration-in-Intervention⁶ dated July 8, 2013, filed by the Municipality seeking that the Court set aside its April 17, 2013 Decision and promulgate a new one in its stead dismissing the case (subject motions).

The Facts

The instant case arose from two (2) loans (Subject Loans) entered into by the Municipality with LBP in order to finance the Redevelopment Plan of the Agoos Public Plaza (Public Plaza). Through Resolution Nos. 68-2005⁷ and 139-2005,⁸ the *Sangguniang Bayan* of the Municipality (*Sangguniang Bayan*) authorized its then-Mayor Eufranio Eriguel (Mayor Eriguel) to enter into a ₱4,000,000.00-loan with LBP, the proceeds of which were used to construct ten (10) kiosks at the Public Plaza. Around a year later, the SB issued Resolution Nos. 58-2006⁹ and 128-2006,¹⁰ this time authorizing Mayor Eriguel to obtain a ₱28,000,000.00-loan from LBP for the construction of a commercial center named “Agoos People’s Center” within the premises of the Public Plaza. In order to secure the Subject Loans, the Municipality used as collateral, among others, a 2,323.75-square meter lot situated at the south eastern portion of the Public Plaza (Plaza Lot).¹¹

However, a group of residents, led by respondent Eduardo M. Cacayuran (Cacayuran), opposed the redevelopment of the Public Plaza, as well as the funding therefor thru the Subject Loans, claiming that these were “highly irregular, violative of the law, and detrimental to public interests, and will result to wanton desecration of the [Public Plaza].”¹² Further, Cacayuran requested the municipal officers to furnish him with the various documents relating to the Public Plaza’s redevelopment, which, however, went unheeded.¹³ Thus, Cacayuran, invoking his right as a taxpayer, filed a complaint¹⁴ against LBP and various officers of the Municipality, including Mayor Eriguel (but excluding the Municipality itself as party-defendant), assailing the validity of the aforesaid loan agreements and praying that the commercialization of the Public Plaza be enjoined.¹⁵

Initially, the municipal officers moved for the outright dismissal of the complaint, which was denied, thus constraining them to file their respective answers. For its part, LBP asserted, *inter alia*, that Cacayuran did not have any cause of action since he was not privy to the loan agreements entered into by LBP and the Municipality.¹⁶

⁶ Id. at 394-410.

⁷ Id. at 79-83.

⁸ Id. at 120-125.

⁹ Id. at 115-120.

¹⁰ Id. at 125-127.

¹¹ See id. at 366-367.

¹² Id.

¹³ Id. at 367.

¹⁴ Dated December 18, 2006. Id. at 205-212.

¹⁵ See id. at 210-211.

¹⁶ Id. at 367.

During the pendency of the proceedings, the construction of the Agoos People's Center was completed. Later on, the *Sangguniang Bayan* passed Municipal Ordinance No. 02-2007¹⁷ declaring the area where such building stood as patrimonial property of the Municipality.¹⁸

The RTC Ruling

In a Decision¹⁹ dated April 10, 2007, the RTC declared the Subject Loans null and void, finding that the resolutions approving the procurement of the same were passed in a highly irregular manner and thus, *ultra vires*. As such, it pronounced that the Municipality was not bound by the Subject Loans and that the municipal officers should, instead, be held personally liable for the same. Further, it ruled that since the Plaza Lot is a property for public use, it cannot be used as collateral for the Subject Loans.²⁰

Aggrieved, LBP and the municipal officers appealed²¹ to the CA. However, the appeal of the municipal officers was deemed abandoned and dismissed for their failure to file an appellants' brief despite due notice.²² Thus, only LBP's appeal was given due course by the CA.²³

The CA Ruling

In a Decision²⁴ dated March 26, 2010, the CA affirmed the ruling of the RTC, with modification excluding then-Vice Mayor Antonio Eslao from personal liability arising from the Subject Loans. It held that: (a) Cacayuran had *locus standi* to file the instant complaint, considering that he is a resident of the Municipality and the issue at hand involved public interest of transcendental importance; (b) Resolution Nos. 68-2005, 138-2005, 58-2006, 126-2006 were invalidly passed due to non-compliance with certain provisions of Republic Act No. 7160,²⁵ otherwise known as the Local Government Code of 1991 (LGC); (c) the Plaza Lot is property of public dominion, and thus, cannot be used as collateral; and (d) the procurement of the Subject Loans were *ultra vires* acts for having been entered into without proper authority and that the collaterals used therefor constituted improper disbursement of public funds.²⁶

¹⁷ Id. at 219-220.

¹⁸ Id. at 367-368.

¹⁹ Id. at 74-203.

²⁰ See id. at 368.

²¹ Not attached to the *rollo*.

²² *Rollo*, p. 45.

²³ Id. at 368.

²⁴ Id. at 42-73.

²⁵ Entitled "AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991"; approved on October 10, 1991.

²⁶ See *rollo*, pp. 368-369.

Dissatisfied, LBP filed a petition for review on *certiorari*²⁷ before this Court.

Proceedings Before the Court

In a Decision²⁸ dated April 17, 2013 the Court denied LBP's petition, and accordingly, affirmed the ruling of the CA. Agreeing with the CA, the Court held that: (a) Cacayuran had legal standing to institute a taxpayer's suit;²⁹ (b) Resolution Nos. 68-2005, 139-2005, 58-2006, 126-2006 cannot be relied upon to validate the Subject Loans, as the LGC requires the passing of an ordinance in order for any loan agreement to be valid;³⁰ and (c) the procurement of the Subject Loans are *ultra vires* acts of the municipal officers who approved the same, and thus, liability therefor shall devolve upon them.³¹

Undaunted, LBP moved for reconsideration, basically reiterating its earlier position that Cacayuran had no legal standing to sue, and that Resolution Nos. 68-2005, 139-2005, 58-2006, and 126-2006 may be relied upon in validating the Subject Loans.³²

Meanwhile, the Municipality filed a Motion for Leave to Intervene with Pleading-In-Intervention Attached³³ dated July 8, 2013 and a Motion for Reconsideration in-Intervention³⁴ of even date, praying that it be included as a party-litigant to the instant case. It contends that as a contracting party to the Subject Loans, it is an indispensable party to the action filed by Cacayuran. As such, there cannot be any "real disposition" of the instant suit by reason of its exclusion from the same.

In opposition,³⁵ Cacayuran maintains that LBP did not raise any new matter to warrant reconsideration of the April 17, 2013 Decision. Anent the Municipality's motion to intervene, Cacayuran insists that the Municipality is not a real party-in-interest to the instant case as his complaint is against the municipal officers in their personal capacity for their *ultra vires* acts which are not binding on the Municipality.

²⁷ Id. at 10-37.

²⁸ Id. at 365-376.

²⁹ Id. at 369-370.

³⁰ Id. at 371-372.

³¹ Id. at 373-374.

³² See Motion for Reconsideration dated May 22, 2013; id. at 377-382.

³³ Id. at 387-393.

³⁴ Id. at 394-410.

³⁵ See Comment/Opposition to Petitioner's Motion for Reconsideration, and to Intervenor's Motion for Reconsideration in-Intervention dated October 24, 2013; id. at 424-439.

Finally, in its Comment on the Motion for Leave to Intervene and Motion for Reconsideration-in-Intervention³⁶ dated May 6, 2014, LBP agrees with the Municipality that the latter is an indispensable party to the instant case and as such, should be included herein.

The Issue Before the Court

The core issue for the Court's resolution is whether or not the Municipality should be deemed as an indispensable party to the instant case, and thus, be ordered impleaded herein.

The Court's Ruling

The Court rules in the affirmative.

Section 7, Rule 3 of the Rules of Court mandates that all indispensable parties should be joined in a suit, *viz.*:

SEC. 7. Compulsory joinder of indispensable parties. – Parties-in-interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

“An indispensable party is one whose interest will be affected by the court's action in the litigation, and without whom no final determination of the case can be had. The party's interest in the subject matter of the suit and in the relief sought are so inextricably intertwined with the other parties' that his legal presence as a party to the proceeding is an absolute necessity. In his absence, there cannot be a resolution of the dispute of the parties before the court which is effective, complete, or equitable.”³⁷ Thus, the absence of an indispensable party renders all subsequent actions of the court null and void, for want of authority to act, not only as to the absent parties but even as to those present.³⁸

Nevertheless, it must be stressed that the failure to implead any indispensable party to a suit does not necessarily result in the outright dismissal of the complaint. In *Heirs of Mesina v. Heirs of Fian, Sr.*,³⁹ the Court definitively explained that in instances of non-joinder of indispensable parties, the proper remedy is to implead them and not to dismiss the case:

³⁶ Id. at 453-457.

³⁷ *Gabatin v. Land Bank of the Philippines*, 486 Phil. 366, 379-380 (2004), citing *Bank of the Philippine Islands v. CA*, 450 Phil. 532, 541 (2003).

³⁸ See *Domingo v. Scheer*, 466 Phil. 235, 265 (2004).

³⁹ G.R. No. 201816, April 8, 2013, 695 SCRA 345.

The non-joinder of indispensable parties is not a ground for the dismissal of an action. At any stage of a judicial proceeding and/or at such times as are just, parties may be added on the motion of a party or on the initiative of the tribunal concerned. If the plaintiff refuses to implead an indispensable party despite the order of the court, that court may dismiss the complaint for the plaintiff's failure to comply with the order. **The remedy is to implead the non-party claimed to be indispensable.**⁴⁰
(Emphases and underscoring supplied)

In this case, a judicious review of the records reveals that Cacayuran's complaint against LBP and the municipal officers primarily prays that the commercialization of the Public Plaza be enjoined and also, that the Subject Loans be declared null and void for having been unlawfully entered into by the said officers. However, Cacayuran failed to implead in his complaint the Municipality, a real party-in-interest⁴¹ and an indispensable party that stands to be directly affected by any judicial resolution on the case, considering that: (a) the contracting parties to the Subject Loans are LBP and the Municipality; and (b) the Municipality owns the Public Plaza as well as the improvements constructed thereon, including the Agoo People's Center. As the Municipality aptly points out:⁴²

3. To recapitulate: The case had its beginnings in **the two (2) Loans obtained by [the Municipality] from [LBP]** and by the Board Resolutions passed and adopted by the Sangguniang Bayan of Agoo, La Union, together with the Mayor and Vice-Mayor of the Municipality.

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3d. The two (2) Loans were covered and evidenced by separate Loan Agreements and Mortgage/Assignment Documents. **The parties which entered into and executed the covering documents were [LBP] as lender and [the Municipality] as borrower.**

3e. When the construction was about 40% complete, [Cacayuran] as a taxpayer filed the case against the: (i) Mayor; (ii) Vice-Mayor; and (iii) Ten (10) Members [of] the Sangguniang Bayan [of] Agoo, La Union, as defendants. [The Municipality] was excluded, and was not impleaded as a defendant in the case.

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Indeed, **[the Municipality] [on whose lands stands and is found the Agoo Public Plaza, where the Kiosks and Commercial Building were under construction and which constructions were sought to be restrained] stands to be benefited or injured by the judgment in the**

⁴⁰ Id. at 353, citing *Pamplona Plantation Co., Inc. v. Tinghil*, 491 Phil. 15, 29 (2005).

⁴¹ "A real party-in-interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. Unless otherwise authorized by law or these Rules, every action must be prosecuted or defended in the name of the real party-in-interest." (Section 2, Rule 3 of the Rules of Court).

⁴² See *rollo*, pp. 395-396.

case so filed or the party entitled to the avails of the case and is, therefore, the real party-in-interest.

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3k. Without having to say so, the RTC dispositions as affirmed with modification by the CA Decision which, in turn was affirmed by the SC Decision must not be binding upon [the Municipality], the real party-in-interest, the indispensable party in fact, not impleaded as defendant in this case.⁴³ (Emphases and underscoring supplied).

The Court observes that it is only now that the issue of the Municipality's exclusion from the instant case, despite its status as an indispensable party, became apparent. This recent finding may be credited to the fact that the initial parties before the Court, *i.e.*, LBP and Cacayuran, have dissimilar interests from that of the Municipality, and, hence, had no incentive to raise the issue of the latter's status as an indispensable party. On the one hand, Cacayuran's interest to the case is centered on the declaration of nullity of the Subject Loans, as well as the enjoinder of the commercialization of the Public Plaza; and on the other hand, LBP's interest to the case is anchored on its capacity as creditor to the Subject Loans. To the mind of the Court, the municipal officers would have been in the best position to raise this issue; however, they were unable to do so because their appeal before the CA was deemed abandoned for their failure to file an appellants' brief on time.

Be that as it may, the Court is not precluded from taking cognizance of the Municipality's status as an indispensable party even at this stage of the proceedings. Indeed, the presence of indispensable parties is necessary to vest the court with jurisdiction⁴⁴ and, corollarily, the issue on jurisdiction may be raised at any stage of the proceedings.⁴⁵ Thus, as it has now come to the fore that any resolution of this case would not be possible and, hence, not attain any real finality due to the non-joinder of the Municipality, the Court is constrained to set aside all subsequent actuations of the courts *a quo* in this case, including that of the Court's, and remand the case all the way back to the RTC for the inclusion of all indispensable parties to the case and its immediate disposition on the merits.⁴⁶ With this, the propriety of the Municipality's present intervention is now mooted.

WHEREFORE, the subject motions are **PARTLY GRANTED**. The Decision dated April 17, 2013 of the Court, which upheld the Decision dated March 26, 2010 of the Court of Appeals in CA-G.R. CV. No. 89732 affirming with modification the Decision dated April 10, 2007 of the

⁴³ *Rollo*, pp. 395-398.

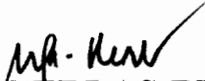
⁴⁴ *Living@Sense, Inc. v. Malayan Insurance Company, Inc.*, G.R. No. 193753, September 26, 2012, 682 SCRA 59, 64.

⁴⁵ *Francel Realty Corporation v. Sycip*, 506 Phil. 407, 415 (2005).

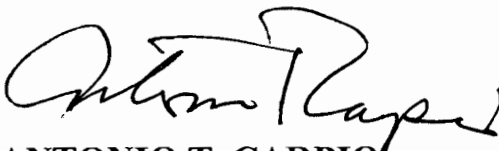
⁴⁶ See *Quilatan v. Heirs of Quilatan* (614 Phil 162, 168 [2009]) where the Court ordered the remand of the case therein all the way back to the RTC for the failure of petitioners therein to implead all the indispensable parties in their complaint.

Regional Trial Court of Agoo, La Union, Branch 31 in Civil Case No. A-2473 is hereby **SET ASIDE**. Accordingly, the instant case is **REMANDED** to the court *a quo*, which is hereby **DIRECTED** to order respondent Eduardo M. Cacayuran to implead all indispensable parties and thereafter, **PROCEED** with the resolution of the case on the merits **WITH DISPATCH**.

SO ORDERED.


ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice
Chairperson

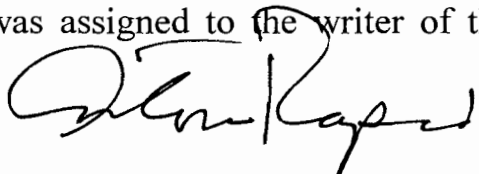

ARTURO D. BRION
Associate Justice


MARIANO C. DEL CASTILLO
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice

ATTESTATION

I attest that the conclusions in the above Amended 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, Special 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 Amended 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