



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

ST. FRANCIS PLAZA G.R. No. 248519  
CORPORATION,

*Petitioner,*

- versus -

EMILIO SOLCO, FRANCIS  
SOLCO, LILY DELOS REYES-  
SOLCO and BENZ FABIAN  
SOLCO,

*Respondents.*

X-----X

FRANCIS SOLCO,

*Petitioner,*

G.R. No. 248520

- versus -

EMILIO SOLCO,

*Respondent,*

X-----X

BENZ FABIAN SOLCO and LILY  
DELOS REYES-SOLCO,

*Petitioners,*

G.R. Nos. 248757-59

- versus -

Present:

LEONEN, J., *Chairperson*,  
HERNANDO,  
INTING,  
DELOS SANTOS, and  
LOPEZ, J., *JJ.*

Promulgated:

**EMILIO SOLCO,\***

*Respondents.*

March 17, 2021

~~Mis-DCB-11~~

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x

## DECISION

**INTING, J.:**

Before the Court are three consolidated petitions for review on *certiorari* under Rule 45 of the Rules of Court assailing the Decision<sup>1</sup> dated January 23, 2018 and the Resolution<sup>2</sup> dated July 26, 2019 of the Court of Appeals (CA) in CA-G.R. SP Nos. 134744, 136566, 136609, and 145724, to wit:

1. G.R No. 248519<sup>3</sup> filed by St. Francis Plaza Corporation (SFPC) against Emilio Solco (Emilio), Francis Solco (Francis), Lily Delos Reyes-Solco (Lily), and Benz Fabian Solco (Benz) which seeks to nullify the Judgment on a Compromise Agreement<sup>4</sup> dated May 10, 2013 rendered by Branch 93, Regional Trial Court (RTC), Quezon City in Civil Case No. Q-12-283.

\* Pursuant to Section 4, Rule 45 of the Rules of Court, the petition shall state the full name of the appealing party as the petitioner and the adverse party as respondent, *without impleading the lower courts or judges thereof either as petitioners or respondents*. Thus, the Court deletes the name of Hon. Arthur O. Malabaguio, Presiding Judge of Branch 93, Regional Trial Court of Quezon City as respondent.

<sup>1</sup> *Rollo* (G.R. No. 248519), pp. 37-69; penned by Associate Justice Pablito A. Perez with Associate Justices Normandie B. Pizarro and Ramon A. Cruz, concurring.

<sup>2</sup> *Id.* at 70-79; penned by Associate Justice Manuel M. Barrios with Associate Justices Remedios A. Salazar-Fernando and Jare Aurora C. Lantion, concurring.

<sup>3</sup> See Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, As Amended dated September 16, 2019, *id.* at 11-30.

<sup>4</sup> *Rollo* (G.R. No. 248520), pp. 236-246; penned by Presiding Judge Arthur O. Malabaguio.

2. G.R. No. 248520<sup>5</sup> filed by Francis Solco against Emilio which seeks, among others, the reversal of the Order<sup>6</sup> dated March 17, 2014 of the RTC and a declaration that the Comprehensive Compromise Agreement<sup>7</sup> (Compromise Agreement) dated May 4, 2013 be cancelled in so far as the unimplemented portions thereof are concerned.
3. G.R. Nos. 248757-59<sup>8</sup> filed by Benz and Lily against Judge Arthur O. Malabaguio (Judge Malabaguio), in his capacity as Presiding Judge of Branch 93, RTC, Quezon City and Emilio Solco which seeks to annul and set aside the Orders dated March 17, 2014,<sup>9</sup> July 14, 2014,<sup>10</sup> February 1, 2016,<sup>11</sup> and May 2, 2016.<sup>12</sup> The assailed Orders upheld the Judgment on a Compromise Agreement and affirmed the implementation of the Writ of Execution.

### *The Antecedents*

Francis, his wife Lily, and their son, Benz (collectively, Francis Group) are the President, former Corporate Secretary, and present Corporate Secretary, respectively, of SFPC.<sup>13</sup> Emilio, on the other hand, is the older brother of Francis. Emilio was the owner of 1,000 shares of stock in SFPC with par value of ₱1,000.00 per share or a total of at least ₱1,000,000.00.<sup>14</sup>

Emilio alleged that sometime in January 2012, his shares of stock in SFPC were transferred to Francis without his knowledge and consent. He sent two separate demand letters to the Francis Group asking for a full accounting report and explanation on the status of his shareholdings.<sup>15</sup> The SFPC denied it asserting that Emilio was no longer a shareholder of SFPC. This prompted Emilio to file a Complaint<sup>16</sup> for

<sup>5</sup> See Petition for Review on *Certiorari* under Rule 45 dated September 18, 2019, *id.* at 66-102.

<sup>6</sup> *Id.* at 229-235.

<sup>7</sup> *Id.* at 309-318.

<sup>8</sup> See Petition for Review on *Certiorari* dated September 30, 2019, *rollo* (G.R. Nos. 248757-59), pp. 13-34.

<sup>9</sup> *Rollo* (G.R. No. 248520), pp. 229-235.

<sup>10</sup> *Rollo* (G.R. No. 248519), pp. 603-614.

<sup>11</sup> As culled from the Decision dated January 23, 2018 of the Court of Appeals (CA), *id.* at 45.

<sup>12</sup> *Id.* at 46.

<sup>13</sup> *Id.* at 93.

<sup>14</sup> *Id.* at 94-95.

<sup>15</sup> *Id.* at 95-96.

<sup>16</sup> *Id.* at 92-99.

intra-corporate controversy before the RTC entitled "*Emilio Solco v. St. Francis Plaza Corporation, Francis Solco, Lily Delos Reyes Solco and Benz Fabian Solco.*" The complaint was docketed as Civil Case No. Q-12-283 and raffled to Branch 93, RTC, Quezon City presided by Judge Malabaguio.<sup>17</sup>

In their Joint Answer,<sup>18</sup> the Francis Group asserted that Emilio already transferred his shares to Francis who paid valuable consideration therefor. Initially, Emilio and Francis planned on documenting the transfer. However, because the transaction was between full blood brothers, they eventually forgot about the documentation altogether.<sup>19</sup>

Meanwhile, Emilio filed criminal cases against the Francis Group and vice-versa.

As part of the pre-trial, Civil Case No. Q-12-283 was referred for mediation at the Philippine Mediation Center.<sup>20</sup> On May 4, 2013, the parties, excluding SFPC, executed a Compromise Agreement which they submitted for the court's approval.<sup>21</sup>

In *précis*, the parties' obligations under the Compromise Agreement are enumerated as follows:

*As to Termination of Cases*

1. Emilio shall execute the proper Affidavits of Desistance in the following criminal cases, namely:

[a] Criminal Case No. GL-Q-13-180299 For: Estafa thru Falsification of Public Documents entitled, "*People of the Philippines v. Francis Solco, et al.*;"

[b] Criminal Case Nos. 160933, 160934, and 160935 For:

<sup>17</sup> *Id.* at 38.

<sup>18</sup> *Id.* at 137-146.

<sup>19</sup> *Id.* at 139.

<sup>20</sup> *Id.* at 38.

<sup>21</sup> See Joint Motion, to Approve and Render Judgment Based on "Comprehensive Compromise Agreement" dated May 7, 2013, *rollo* (G.R. No. 248520), pp. 307-308.

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Estafa thru Falsification of Public Documents entitled,  
“*People of the Philippines v. Francis Solco, et al.*;”  
and

[c] Criminal Case Nos. 4678-84-CR For: Perjury entitled,  
“*People of the Philippines v. Lily Delos Reyes  
Solco.*”<sup>22</sup>

2. In turn, Benz and his brother Benedict Solco (Benedict) shall execute the proper Affidavits of Desistance in the criminal cases which they filed against Emilio and his son Emerson Dexter Solco (Dexter).<sup>23</sup>
3. Emilio shall likewise file a Withdrawal of Petition for Review with the Department of Justice (DOJ) in I.S. No. XV-03-INV-12A-0577 for Falsification, Estafa and Use of Falsified Documents entitled, “*Emilio Solco v. Benz Fabian Solco.*”<sup>24</sup>
4. While Francis and Lily shall also file a Withdrawal of Petition for Review with the DOJ in I.S. No. XV-03-INV-12A-0577.<sup>25</sup>

*As to Settlement of Claims over Shares of Stock*

5. The Francis Group shall transfer the entirety of their respective shareholdings, rights and interest over the shares of stock in Gold Label Automotive Corporation (GLAC) in favor of Emilio and Dexter and shall deliver to them the certificates of stock of GLAC and the necessary deeds of assignment.<sup>26</sup>
6. For their part, Emilio and Dexter confirmed that they have no

<sup>22</sup> *Id.* at 311-312.

<sup>23</sup> Specifically, (1) NPS Docket No. VI-03-INV-12L-1305 entitled, “*Benz Fabian Solco v. Emerson Dexter Solco, et al.*”; (2) NPS Docket No. VI-03-INV-12L-1306 entitled “*Benedict Solco v. Emilio Solco, et al.*”; (3) NPS Docket No. VI-03-INV-12k-1276 entitled “*Benedict Solco v. Emilio C. Solco, et al.*”; and (4) NPS Docket No. VI-03-INV-12L-1277 entitled “*Benz Fabian Solco v. Emilio C. Solco, et al.*”; *id.* at 312.

<sup>24</sup> *Id.* at 310-312.

<sup>25</sup> *Id.* at 312.

<sup>26</sup> The transfer was premised on Emilio's accusation that his 10,000 shares in GLAC were transferred to the Francis Solco, Lily Delos Reyes-Solco, and Benz Fabian Solco (Francis Group) without his consent which caused the filing of the criminal cases against them, *id.* at 315.

shareholdings, rights and interest in SFPC and in Gold Label Real Estate Development Corporation (GLREDC) and shall execute the necessary deeds of assignments and indorse the corresponding stock certificates, where applicable.<sup>27</sup>

*As to Settlement of Claims over Real Properties*

7. Consistent with the Francis Group's transfer of the entirety of their respective shareholdings in GLAC, Francis shall turn over to Emilio the title over a real property located at the corner of Rizal Avenue Ext., and 7<sup>th</sup> Avenue, Caloocan City, covered by Transfer Certificate Title (TCT) No. 236605 (hereinafter referred to as Grace Park property). Francis shall be given a period of two months from the receipt of the court order dismissing the criminal cases and approving the Compromise Agreement, within which to remove all items, goods, chattels and objects from the Grace Park property, except the small payloader and the eight-wheeler truck which belonged to Emilio.<sup>28</sup>
8. On the other hand, Emilio shall reimburse Francis in cash for the real property taxes that Francis paid for the Grace Park Property in the total amount of ₱1,745,708.07 as well as the expenses incurred in redeeming the Grace Park property from the winning bidder in the total amount of ₱1,351,756.50.<sup>29</sup>
9. Emilio shall execute and file with the Register of Deeds of Caloocan City an affidavit of cancellation of adverse claim pertaining to TCT No. 163755 (Samson Road property).<sup>30</sup>
10. Francis shall cause the preparation of an extrajudicial settlement of estate<sup>31</sup> and sale to Emilio of the two Sum-ag properties,<sup>32</sup> the titles to which are in the possession of Emilio. In turn, Emilio shall pay Francis the amount of ₱12,800,000.00 in cash.<sup>33</sup>

<sup>27</sup> *Id.* at 316.

<sup>28</sup> *Id.* at 311, 313-314.

<sup>29</sup> *Id.* at 313-314.

<sup>30</sup> *Id.* at 314.

<sup>31</sup> Considering that the two Sum-ag properties are conjugal to Francis and his first wife Betty Solco.

<sup>32</sup> Two farm lots located at Sum-ag, Bacolod City covered by TCT Nos. T-142703 and T-142504, *rollo* (G.R. No. 248520), p. 311.

<sup>33</sup> *Id.* at 315.

*Proceedings Before the RTC*

On May 10, 2013, the RTC granted the Joint Motion and approved the Compromise Agreement,<sup>34</sup> to wit:

Finding the Compromise Agreement not contrary to law, good morals, public policy or public interest, the prayer incorporated therein is hereby GRANTED. As prayed for, the Compromise Agreement is hereby APPROVED. Accordingly, the parties are hereby enjoined to strictly comply with the terms and conditions set forth therein.

SO ORDERED.<sup>35</sup>

Initially, the parties smoothly implemented the first set of their reciprocal obligations under the Compromise Agreement, thus: (a) Francis delivered to Emilio the fully executed "Extrajudicial Settlement of Estate and Sale to Emilio Solco" of the two Sum-ag properties; and (b) Emilio paid Francis in cash for the sale of the Sum-ag properties.<sup>36</sup> However, after Benz and Benedict executed the proper affidavits of desistance in favor of Emilio, the latter started to dictate his terms on how the succeeding stipulations should be implemented.<sup>37</sup> Particularly, Emilio insisted that his compliance with the reimbursement of the real property taxes and redemption expenses for the Grace Park property shall be the last on the schedule of incidents which is contrary to the express terms of the Compromise Agreement.<sup>38</sup> Moreover, Emilio refused to file any affidavit of desistance unless the Francis Group would agree to the tabular sequence of incidents that Emilio's counsel prepared.<sup>39</sup>

On December 2, 2013, Emilio moved for the execution of the Judgment on a Compromise Agreement<sup>40</sup> claiming that the Francis Group, particularly his brother Francis, showed a clear intent to renege

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<sup>34</sup> *Id.* at 236-246.

<sup>35</sup> *Id.* at 246.

<sup>36</sup> *Id.* at 320.

<sup>37</sup> *Id.* at 198.

<sup>38</sup> *Id.* at 207 and 351.

<sup>39</sup> *Id.* at 356-357.

<sup>40</sup> See Motion for Execution of Judgment upon Compromise Agreement dated December 2, 2013, *id.* at 319-328

on the Compromise Agreement by filing several motions<sup>41</sup> in the criminal cases which he filed against them.<sup>42</sup> Emilio argued that not only were the motions totally unnecessary since he promised to execute the proper affidavits of desistance, but also contradictory to the purpose for which they entered into the Compromise Agreement.<sup>43</sup>

In their Comment/Opposition (Re: Motion for Execution of Judgment Upon Compromise Agreement dated 02 December 2013),<sup>44</sup> the Francis Group averred that it was Emilio who breached the Compromise Agreement. In particular, they alleged the following breaches committed by Emilio when he:

1. failed to execute the proper Affidavits of Desistance in the criminal cases that he filed against the Francis Group;<sup>45</sup>
2. failed to file a withdrawal of petition for review with the DOJ;<sup>46</sup>
3. insisted the turnover of the Grace Park property even before the Compromise Agreement could be approved by the court;<sup>47</sup>
4. demanded the turn over of a payloader that is different from that stipulated in the Compromise Agreement;<sup>48</sup>
5. refused to pay the ₱1,745,708.07 representing the real property taxes that Francis paid for the years 2009 to 2012 for the Grace Park property and the ₱1,351,756.50 which is the total expenses incurred by Francis in redeeming the Grace Park property from its purchaser at a public auction;<sup>49</sup> and

<sup>41</sup> Namely: (1) Motion to Exclude Witness and Motion to Expunge Witness Judicial Affidavit in Criminal Case No. 467884, (2) Motion to Quash in Criminal Case Nos. 160933-35; and (3) Motion to Suspend Proceedings in Criminal Case No. GL-Q-13-180299, *id.* at 322.

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 329-335.

<sup>45</sup> *Id.* at 331.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.* at 330.

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 329-330.



6. failed to file an affidavit of cancellation of adverse claim for the Samson Road property.<sup>50</sup>

The Francis Group manifested that its further compliance with the other terms of the Compromise Agreement was no longer fair and equitable in light of Emilio's failure to comply with his prerequisite prestations under the Compromise Agreement.<sup>51</sup> Citing *Heirs of Zari, et al. v. Santos*,<sup>52</sup> it argued that Emilio abandoned his right to seek the execution of the Compromise Agreement due to his deliberate noncompliance with the terms thereof.<sup>53</sup> Thus, as far as the Francis Group was concerned, the Compromise Agreement had *ipso facto* been cancelled by Emilio's breach of its terms.

In response, Emilio filed a Reply (To Comment/Opposition dated 14 December 2013)<sup>54</sup> arguing that he was ready to file the Affidavits of Desistance before the RTC and to pay Francis the amounts due relative to the Grace Park property,<sup>55</sup> to which the Francis Group filed a Rejoinder (Re: Reply dated 26 December 2013).<sup>56</sup>

Meanwhile, the DOJ issued a Resolution<sup>57</sup> dated February 10, 2014, which reversed the finding of probable cause against the Francis Group for Estafa Through Falsification of Public Document by the Quezon City Prosecutor's Office. The dispositive portion of which reads:

WHEREFORE, the petition for review is hereby GRANTED. The City Prosecutor of Quezon City is hereby DIRECTED to withdraw the Information filed in court against respondents Benz Fabian Solco, Francis Solco, Lily Delos Reyes Solco and Benedict Solco, and to report the action taken within ten (10) days from receipt of this resolution

SO ORDERED.<sup>58</sup>

The DOJ Resolution ordered the Quezon City Prosecutor's Office

<sup>50</sup> *Id.* at 331.

<sup>51</sup> *Id.* at 333.

<sup>52</sup> 137 Phil. 79, 91-93 (1969).

<sup>53</sup> *Rollo* (G.R. No. 248520), p. 520.

<sup>54</sup> *Id.* at 336-340.

<sup>55</sup> *Id.* at 337.

<sup>56</sup> *Id.* at 349-355.

<sup>57</sup> *Id.* at 361-371; penned by Undersecretary Francisco F. Baraan III.

<sup>58</sup> *Id.* at 370-371.

to withdraw the Informations filed against the Francis Group in Criminal Case Nos. GL-Q-13-180299 and 160933, 160934 and 160935. Consequently, the Quezon City Prosecutor's Office filed Motions to Withdraw Information<sup>59</sup> in the Quezon City Courts.

In a Manifestation<sup>60</sup> dated March 12, 2014, the Francis Group asserted that because there were no more criminal cases in which Emilio can desist from pursuant to the Compromise Agreement, Emilio's motion for execution now lacked factual and legal basis.<sup>61</sup>

On March 17, 2014, the RTC resolved Emilio's motion by enjoining the parties to simultaneously and jointly perform their respective undertakings under the Compromise Agreement, *viz.*<sup>62</sup>

WHEREFORE, the Court *again* hereby enjoins the parties to strictly comply in good faith with the terms and conditions set forth in their Comprehensive Compromise Agreement, specifically, by simultaneously and jointly performing, within fifteen (15) days from receipt of this Order, their respective undertakings or obligations which they have not yet performed, and thereafter, submit proof of compliance therewith. Non-compliance by the parties of their respective undertakings in the compromise agreement shall constrain the Court to issue writ of execution to enforce the provisions thereof in a manner provided under the Rules of Court.

SO ORDERED.<sup>63</sup>

The RTC refused to annul the Compromise Agreement holding that the compromise, as judicially approved, had the effect and authority of *res judicata*.<sup>64</sup>

Aggrieved, Benz and Lily moved for a reconsideration;<sup>65</sup> SFPC moved to set aside the Judgment on a Compromise Agreement alleging, among others, that it was not a party thereto;<sup>66</sup> and Francis elevated the

<sup>59</sup> *Id.* at 373-375, 376-378.

<sup>60</sup> *Id.* at 358-360.

<sup>61</sup> *Id.* at 359.

<sup>62</sup> See Order dated March 17, 2014, *id.* at 229-235.

<sup>63</sup> *Id.* at 235.

<sup>64</sup> *Id.* at 231.

<sup>65</sup> See Motion for Reconsideration (Re: Order dated 17 March 2014 received on 27 March 2014), *rollo* (G.R. No. 248519), pp. 371-383.

<sup>66</sup> See Motion to Set Aside Judgment by Compromise Agreement dated May 7, 2014, *id.* at 518-526.

case to the CA through a Petition for Review (with application for Temporary Restraining Order and/or Writ of Preliminary Injunction),<sup>67</sup> docketed as CA-G.R. SP No. 134744.

In the meantime, on May 5, 2014, Branch 223, RTC issued an Order<sup>68</sup> granting the motion to withdraw Information against the Francis Group.

In an Order<sup>69</sup> dated July 14, 2014, the RTC denied the respective motions of SFPC, Francis, Benz and Lily and ordered the execution of the Judgment on a Compromise Agreement. This prompted SFPC, Benz and Lily to file their respective Petitions for *Certiorari* with the CA docketed as CA-G.R. SP. No. 136566<sup>70</sup> and CA-G.R. SP. No. 136609.<sup>71</sup>

Subsequently, SFPC moved for the inhibition of Judge Malabaguio. Francis moved to quash the Writ of Execution. Benz and Lily moved to suspend the proceedings in Civil Case No. Q-12-238 while CA-G.R. SP. No. 136609 was pending.<sup>72</sup>

In an Order dated October 8, 2014, Judge Malabaguio denied the motion for his inhibition and suspended the proceedings before him.<sup>73</sup> Later, Judge Malabaguio amended the Order and inhibited himself from the case. The case was re-raffled to Branch 90, RTC, Quezon City presided by Judge Reynaldo B. Daway, who likewise inhibited upon motion of Emilio.<sup>74</sup> Eventually, the case was re-raffled on September 29, 2015 to Branch 92, RTC of Quezon City presided by Judge Eleuterio L. Bathan (Judge Bathan).<sup>75</sup>

On February 1, 2016, Judge Bathan denied the pending motions and upheld the Judgment on a Compromise Agreement. Subsequently, Judge Bathan denied the motion for reconsideration of the Francis Group which prompted Benz and Lily to file a Petition for *Certiorari* in CA-

<sup>67</sup> *Rollo* (G.R. No. 248520), pp. 197-228.

<sup>68</sup> *Rollo* (G.R. No. 248519), pp. 539-540; penned by Presiding Judge Caridad M. Walse Lutero.

<sup>69</sup> *Id.* at 603-614; penned by Presiding Judge Arthur O. Malabaguio.

<sup>70</sup> See Petition for *Certiorari* under Rule 65 of the Rules of Court, As Amended, with urgent Application for the Issuance of Temporary Restraining Order and Writ of Preliminary Injunction dated August 4, 2014, *rollo* (G.R. No. 248520), pp. 400-419.

<sup>71</sup> See Petition (with Prayer for the Issuance of TRO/Injunction), *id.* at 420-442.

<sup>72</sup> *Rollo* (G.R. No. 248519), pp.42-43.

<sup>73</sup> *Id.* at 43.

<sup>74</sup> *Id.* at 44.

<sup>75</sup> *Id.* at 45.

G.R. SP No.145724 with the CA.<sup>76</sup>

### *Ruling of the CA*

In the assailed Decision<sup>77</sup> dated January 23, 2018, the CA denied the consolidated petitions, namely: CA-G.R. SP Nos. 134744, 136566, 136609 and 145724 for lack of merit. The CA held that without vitiation of consent or economic damage, an allegation of prejudice or inequity is not sufficient to nullify the Compromise Agreement executed by the parties.<sup>78</sup> Lastly, it stated that it would have been more prudent for the Francis Group to file a motion for execution of judgment instead of attacking the validity of the Compromise Agreement.<sup>79</sup>

The Francis Group subsequently moved for reconsideration, but the CA denied it in a Resolution<sup>80</sup> dated July 26, 2019.

The CA held that it cannot rescind the Compromise Agreement on account of Emilio's non-performance of his covenants therein. It added that if Emilio deliberately reneged on his undertaking, or has made the performance thereof impossible, the aggrieved parties can enforce the Compromise Agreement with the assistance of the trial court by way of a writ of execution.<sup>81</sup>

### *The Present Petitions*

In G.R. No. 248519, SFPC contends that the CA erred in upholding the validity of the Compromise Agreement which excluded SFPC despite being impleaded as an indispensable party in Civil Case No. Q-12-283.<sup>82</sup> Aside from its failure to include SFPC, the Compromise Agreement is void since its primary consideration which is the compromise of criminal cases, is contrary to law, morals, good customs and public policy.<sup>83</sup>

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<sup>76</sup> *Id.* at 45-46.

<sup>77</sup> *Id.* at 37-69.

<sup>78</sup> *Id.* at 64.

<sup>79</sup> *Id.* at 67.

<sup>80</sup> *Id.* at 70-79.

<sup>81</sup> *Id.* at 76.

<sup>82</sup> *Id.* at 21-22.

<sup>83</sup> *Id.* at 27.

In G.R. Nos. 248757-59, Benz and Lily allege that Emilio deceived them to part with their money under the pretext that Emilio would cause the assignment of his 50% equity or 10,000 shares of stock in GLAC in their favor. However, despite due receipt of the amount of ₱30,000,583.00 from the Francis Group as payment for the 10,000 shares of stock in GLAC, Emilio transferred only 1,000 shares in favor of Benz and Lily.<sup>84</sup> Worse, Emilio instituted trumped up criminal charges which were later dismissed on the merits against the Francis Group. As a result of the criminal charges, Lily was arrested at the premises of the Immaculate Conception Academy in San Juan City.<sup>85</sup> The incident forced the Francis Group to accede to Emilio's unreasonable and one-sided demands in executing the Compromise Agreement in order to secure the safety and peace of mind of their family. The Francis Group maintains that it was unduly pressured and defrauded by Emilio causing the vitiation of its consent in the Compromise Agreement.<sup>86</sup>

In G.R. No. 248520, Francis argues that: (1) the power of the aggrieved party to regard a compromise agreement as rescinded under Article 2041<sup>87</sup> of the Civil Code of the Philippines (Civil Code) is applicable to a judicial compromise;<sup>88</sup> and (2) Emilio's refusal to comply with his prestation to execute Affidavits of Desistance in the five criminal cases that he had previously filed against the Francis Group constituted a major breach of the Compromise Agreement; thus, making it rescissible.<sup>89</sup>

#### *Emilio's Comment*

In his Comment,<sup>90</sup> Emilio counters that SFPC is deemed to have participated in the Compromise Agreement because the Francis Group, who all signed in the court approved settlement, is the sole and only stockholders and officers of SFPC.<sup>91</sup> He further asserts that the SFPC petition is clearly a desperate attempt to frustrate the execution of a

<sup>84</sup> *Rollo* (G.R. Nos. 248757-59), pp. 17-18.

<sup>85</sup> *Id.* at 18.

<sup>86</sup> *Id.* at 19.

<sup>87</sup> Article 2041 of the Civil Code of the Philippines (Civil Code) provides:

Article 2041. If one of the parties fails or refuses, to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded, and insist upon his original demand.

<sup>88</sup> *Rollo* (G.R. No. 248520), p. 82.

<sup>89</sup> *Id.* at 84.

<sup>90</sup> *Rollo* (G.R. No. 248519), pp. 710-721.

<sup>91</sup> *Id.* at 713.

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Compromise Agreement which has the force and effect of *res judicata*.<sup>92</sup> Lastly, the Judgment on a Compromise Agreement dated May 10, 2013 has already attained finality and is no longer subject to judicial review in view of the doctrine of immutability of judgments.<sup>93</sup>

### *The Issue*

The primordial issue to be resolved is whether the Compromise Agreement should be nullified.

### *The Court's Ruling*

The petitions are partly meritorious.

The Civil Code defines a compromise agreement as “a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.”<sup>94</sup> The parties, thus, “*adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing.*”<sup>95</sup> Relatively, for the compromise agreement to be binding upon the parties therein, it must have been executed by them.<sup>96</sup> In addition, it cannot be overemphasized that the presence of an indispensable party is a condition *sine qua non* for the exercise of judicial power.<sup>97</sup> Thus, the absence of an indispensable party renders all subsequent actuations of the court null and void.<sup>98</sup>

### *SFPC as an indispensable party to the Compromise Agreement.*

Here, there is no dispute that SFPC is an indispensable party in Civil Case No. Q-12-283. However, while SFPC was not specifically

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<sup>92</sup> *Id.* at 715.

<sup>93</sup> *Id.* at 717.

<sup>94</sup> Article 2028 of the Civil Code provides:

ARTICLE 2028. A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.

<sup>95</sup> *David v. Paragas, Jr.*, 755 Phil. 55, 73 (2015).

<sup>96</sup> *Id.*

<sup>97</sup> *Borlasa v. Polistico*, 47 Phil. 345, 348 (1925)

<sup>98</sup> *Tanhu v. Judge Ramolete*, 160 Phil. 1101, 1121 (1975).

included as a party to the Compromise Agreement, both the RTC and the CA correctly upheld its validity because its right to due process was never violated.

In *David v. Paragas, Jr.*,<sup>99</sup> the Court upheld the CA decision annulling a judicially approved compromise agreement because one of the parties therein failed to satisfactorily prove his authority to bind the corporation:

x x x A review of the Joint Omnibus Motion would also show that the compromise agreement dealt more with David and Olympia. Given this, *Olympia did not have any standing in court to enter into a compromise agreement unless impleaded as a party.* The RTC did not have the authority either to determine Olympia's rights and obligations. Furthermore, to allow the compromise agreement to stand is to deprive Olympia of its properties and interest *for it was never shown that the person who signed the agreement on its behalf had any authority to do so.*

More importantly, Lobrin, who signed the compromise agreement, *failed to satisfactorily prove his authority to bind Olympia.* The CA observed, and this Court agrees, that the "board resolution" allegedly granting authority to Lobrin to enter into a compromise agreement on behalf of Olympia was more of a part of the "minutes" of a board meeting containing a proposal to settle the case with David or to negotiate a settlement. *It should be noted that the said document was not prepared or issued by the Corporate Secretary of Olympia but by a "Secretary to the Meeting."* Moreover, the said resolution was neither acknowledged before a notarial officer in Hong Kong nor authenticated before the Philippine Consul in Hong Kong. *Considering these facts, the RTC should have denied the Joint Omnibus Motion and disapproved the compromise agreement. In fine, Olympia was not shown to have properly consented to the agreement, for the rule is, a corporation can only act through its Board of Directors or anyone with the authority of the latter.* To allow the compromise agreement to stand is to deprive Olympia of its properties and interest for it was never shown that Lobrin had the necessary authority to sign the agreement on Olympia's behalf.<sup>100</sup> (Italics supplied.)

In contrast, the records show that SFPC, an indispensable party in the case, issued a Board Resolution<sup>101</sup> dated December 18, 2012, through its Corporate Secretary, appointing its President, Francis, to represent it

<sup>99</sup> 755 Phil. 55 (2015).

<sup>100</sup> *Id.* at 77.

<sup>101</sup> *Rollo* (G.R. No. 248519), p. 149.

in Civil Case No. Q-12-283 and authorizing him to execute and sign documents or pleadings in connection with the case, including compromise. Indubitably, SFPC was duly represented in the Compromise Agreement and was never denied due process of law.

Besides, the RTC aptly held that SFPC is deemed to have participated in the Compromise Agreement considering that the parties therein are the sole and only stockholders and officers of SFPC.<sup>102</sup> To rule otherwise would allow SFPC, who invoked the jurisdiction of a court in a particular matter to secure an affirmative relief, to afterwards deny that same jurisdiction to escape a penalty.<sup>103</sup>

*The Compromise Agreement is not void for being contrary to law and public policy.*

Likewise, the Court does not agree with SFPC's contention that the Compromise Agreement is void for being contrary to law and public policy. As aptly held by the CA, the dismissal of the criminal cases was never anchored on the Compromise Agreement. The parties merely assumed the obligation to withdraw as complainant or witness, or to desist from prosecuting the criminal cases pending in courts or in the prosecutor's office.<sup>104</sup>

Moreover, the Compromise Agreement provides a separability clause which states that the declaration of nullity of any part thereof should not avoid the other parts of the agreement.<sup>105</sup>

*The consent of the parties in the Compromise Agreement is not vitiated by fraud and mistake.*

Clutching at straws, the Francis Group contends that its consent to the Compromise Agreement was vitiated by fraud and mistake.

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<sup>102</sup> *Id.* at 661.

<sup>103</sup> *Abellera v. Court of Appeals*, 383 Phil. 388, 396 (2000), citing *Tijam, et al. v. Sibonghanoy, et al.*, 131 Phil. 556, 564 (1968)

<sup>104</sup> *Rollo* (G.R. No. 248520), pp. 34-35.

<sup>105</sup> *Id.* at 316.



To recall, Emilio accused the Francis Group of acquiring his 50% GLAC shares without his consent which prompted him to file several criminal cases for forgery as a consequence. Pursuant to the Compromise Agreement, Emilio demanded for the transfer of the entirety of the shares of the Francis Group in GLAC in his favor. However, in the DOJ Resolution<sup>106</sup> dated February 10, 2014, it was held that Emilio already transferred for valuable consideration (in the amount of ₱30,000,583.00) his shares in GLAC to the Francis Group. Thus, the Francis Group contends that to require it to transfer the Grace Park property, the 50% GLAC shares which they bought from Emilio, and even the remaining shares that they had in GLAC through the Compromise Agreement, without any consideration and contrary to the findings of the DOJ, would result in unjust enrichment and extreme inequity to the prejudice of the Francis Group.

The Court is not swayed.

It is well settled that in order to annul or avoid a contract, the fraud must be so material that had it not been present, the defrauded party would not have entered into it.<sup>107</sup> Further, it must be established by clear and convincing evidence.<sup>108</sup>

Unfortunately, the Francis Group failed to establish that it was deceived by Emilio in signing the Compromise Agreement. On the contrary, records show that the Compromise Agreement was made and executed by the Francis Group in the presence of and with the assistance of its respective counsel, who also affixed their signatures. Otherwise stated, its consent was given intelligently, freely, and spontaneously.<sup>109</sup> The findings of facts of both the trial and appellate courts that the Compromise Agreement was entered into by the parties freely, voluntarily and with full understanding of the consequences thereof is conclusive and binding on the Court.<sup>110</sup>

While the court encourages litigants in a civil case to agree upon some fair compromise,<sup>111</sup> the courts “*have no power to relieve parties*

<sup>106</sup> *Id.* at 361-372.

<sup>107</sup> *Tankeh v. Development Bank of the Philippines, et al.*, 720 Phil. 641, 671 (2013).

<sup>108</sup> *Id.* at 674.

<sup>109</sup> See *Leonardo v. Court of Appeals*, 481 Phil. 520, 530 (2004).

<sup>110</sup> See *Nillo v. Court of Appeals*, 256 Phil. 175, 179 (1989).

<sup>111</sup> Article 2029 of the Civil Code provides:

ARTICLE 2029. The court shall endeavor to persuade the litigants in a civil case to agree upon some fair compromise.

*from an obligation voluntarily assailed, simply because their contracts turned out to be disastrous deals.*"<sup>112</sup> That the Compromise Agreement is heavily tilted in favor of Emilio does not automatically mean that the consent of the Francis Group was vitiated. After all, the Compromise Agreement was a product of mutual consent and not of compulsion.

This notwithstanding, the Court finds that the Francis Group validly exercised the option of rescinding the Compromise Agreement as to the unimplemented portions<sup>113</sup> thereof pursuant to Article 2041 of the Civil Code, *viz.*:

Article 2041. If one of the parties *fails or refuses, to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded, and insist upon his original demand.* (Italics supplied.)

In the case of *Inutan, et al. v. Napar Contracting & Allied Services, et al.*,<sup>114</sup> the Court held:

A judicially approved compromise agreement has the effect and authority of *res judicata*. It is final, binding on the parties, and enforceable through a writ of execution. *Article 2041 of the Civil Code, however, allows the aggrieved party to rescind the compromise agreement and insist upon his original demand upon failure and refusal of the other party to abide by the compromise agreement.*<sup>115</sup> (Italics in the original and supplied.)

Thus, despite the finality of a judicially approved compromise agreement, where one of the parties to the agreement fails or refuses to comply with his part of the bargain, as in this case, the law recognizes the right of the aggrieved party to either: (1) enforce the compromise by a writ of execution; or (2) regard it as rescinded and insist upon his original demand, upon the other party's failure or refusal to abide by the compromise.

<sup>112</sup> *Rivera v. Solidbank Corporation*, 521 Phil. 628, 651 (2006), citing *Sanchez v. The Hon. Court of Appeals*, 345 Phil. 155, 190-191 (1997).

<sup>113</sup> The following are the unimplemented portions of the Compromise Agreement: (a) Title III. 1, III.1.a, III.1.b, III.1.c, and III.1.d (relative to the Grace Park Property); (b) Title III.2 (Samson Road Property); (c) Title IV.1, IV.1.a, IV.1.b, IV.1.c, IV.1.d, and IV.1.e (GLAC); (d) Title IV.2, IV.2.a, IV.2.b, and IV.2.c (GLREDC); (e) Title IV.3, IV.3.1, and IV.3.b (SFPC); and Title II.1, II.1.a1, II.1.a2, II.1.a3 and II.1.b (Affidavits of Desistance by Emilio); *rollo* (G.R. No. 248520) pp. 311-317.

<sup>114</sup> 773 Phil. 593 (2015).

<sup>115</sup> *Id.* at 596.

Verily, the aggrieved party need not seek a judicial declaration of rescission, for it is settled that the aggrieved party may regard the compromise agreement already rescinded.<sup>116</sup>

In this case, it is undisputed that Emilio never executed any affidavit of desistance in the criminal cases<sup>117</sup> which he filed against the Francis Group or filed any Withdrawal of Petition for Review with the DOJ in I.S. No. XV-03-INV-12A-0577. Moreover, Emilio refused to pay the amounts of ₱1,745,708.07 and ₱1,351,756.50 (relative to the Grace Park property) to the Francis Group despite the presentation of official receipts evidencing such payments<sup>118</sup> and to execute an Affidavit of Cancellation of Adverse Claim for the Samson Road property.<sup>119</sup>

Lamentably, it was Emilio who moved for the execution of the Compromise Agreement arguing that the Francis Group, Francis in particular, manifested their intent to renege on the Compromise Agreement by filing several motions in the criminal cases. However, it must be emphasized that there was no indication that Francis intended to renege on the Compromise Agreement. Quite the opposite, records show that the Francis Group faithfully performed the obligations expected of it under the Compromise Agreement. However, Emilio deliberately failed to execute the necessary Affidavits of Desistance and Withdrawal of Petition for Review which constituted a material breach of the Compromise Agreement despite the compliance made by the Francis Group, particularly the sale in favor of Emilio of the Sum-ag Bacolod properties at a very low price and by Benz's desistance on the criminal cases he filed against Emilio pursuant to the Compromise Agreement.

Needless to say, no one in the right frame of mind would agree to give up: (1) 50% GLAC shares worth ₱ 30,000,583.00 which the Francis Group bought from Emilio; (2) another 50% GLAC shares which the Francis Group respectively owns; and (3) the GLAC property without absolutely any consideration.

<sup>116</sup> *Sonley v. Anchor Savings Bank/Equicom Savings Bank*, 792 Phil. 733, 747 (2016), citing *Leonor v. Sycip*, 111 Phil. 859, 865 (1961).

<sup>117</sup> To wit: Criminal Case No. GL-Q-13-180299 – For: Estafa thru Falsification of Public Documents, “*People of the Philippines v. Francis Solco, et al.*,” Criminal Case Nos. 160933, 160934 and 160935 – For: Estafa thru Falsification of Public Documents entitled, “*People of the Philippines v. Francis Solco, et al.*,” and Criminal Case Nos. 4678-84-CR – For: Perjury entitled, “*People of the Philippines v. Lily Delos Reyes Solco.*”

<sup>118</sup> *Rollo* (G.R. No. 248520), pp. 329-330.

<sup>119</sup> *Id.* at 331.

Notably, the primary consideration of the Francis Group in signing the Compromise Agreement despite ending up at the losing end of the financial equation is to secure the safety of their family from the threat of criminal prosecution.

Thus, after Benz filed the affidavits of desistance in the cases against Emilio in Bacolod City on May 10, 2013, logic dictates that the latter should likewise execute the affidavits of desistance that the Francis Group earnestly sought.<sup>120</sup> However, Emilio never executed any affidavits of desistance until the matter was overtaken by the DOJ Resolution dated February 10, 2014, directing the dismissal of the five criminal complaints against the Francis Group based on the merits.<sup>121</sup>

To the Court's mind, Emilio's failure to execute the needed affidavits of desistance despite the lapse of a long period of time constituted a substantial breach of contract rendering nugatory the very object of the parties in making the agreement.<sup>122</sup> His deliberate failure is further bolstered by the fact that he filed several Oppositions<sup>123</sup> in the criminal cases instead of desisting from them. Taken collectively, Emilio's failure to comply with the terms of the Compromise Agreement, coupled with his opposition to the quashal of the criminal Informations, constitute a clear repudiation of the remaining unimplemented terms of the Compromise Agreement.<sup>124</sup>

The CA, however, appears to be of the view that the only recourse of the Francis Group is to insist on the execution of the Compromise Agreement with specific reference to the unfulfilled obligations of Emilio, thus:<sup>125</sup>

<sup>120</sup> *Id.* at 87.

<sup>121</sup> *Id.* at 89-90.

<sup>122</sup> *Song Fo & Co. v. Hawaiian-Philippine Co.*, 47 Phil. 821, 827 (1925).

<sup>123</sup> To wit: 1) Opposition/Comment (To the Motion to Quash) dated 22 October 2013) and Opposition/Comment (To the Motion to Suspend Proceedings) dated September 27, 2013) both dated October 29, 2013, relative to Criminal Case No. GL-Q-13-180299; 2) Opposition/Comment (To the Motion to Quash) dated September 17, 2013 relative to Criminal Case Nos. 160933, 160934 and 160935; and 3) Judicial Affidavit notarized on August 16, 2013 and an Opposition/Objection dated September 11, 2013 relative to Criminal Case No. 467884; *rollo* (G.R. No. 248520), p. 89.

<sup>124</sup> See *Miguel v. Montanez*, 680 Phil. 356 (2012).

<sup>125</sup> *Rollo* (G.R. No. 248520), p. 53.

On this point, We cannot give due course to petitioners' prayer to rescind x x x the subject compromise agreement x x x on account of the alleged non performance by [Emilio] of his covenant therein. If, indeed, [Emilio] deliberately reneged on his undertaking x x x the aggrieved parties can enforce the compromise agreement x x x by way of a Writ of Execution.<sup>126</sup>

The Court disagrees.

Undoubtedly, Emilio's obligations under the Compromise Agreement, which he never performed, has lost its importance the moment the DOJ Resolution<sup>127</sup> was issued. Given that his obligation can no longer be performed, it would be absurd to compel the Francis Group to deliver its correlative obligation. The DOJ findings and the subsequent dismissal of the criminal cases were supervening events that rendered the execution of the Compromise Agreement as unjust and inequitable.<sup>128</sup> Emilio only has himself to blame for failing to adhere to his prestations to execute his Affidavits of Desistance in the five (5) criminal cases despite the lapse of an ample amount of time. To rule otherwise would be to allow Emilio to profit from his own wrongdoings.<sup>129</sup>

Besides, the Francis Group is released from its reciprocal obligation the moment Emilio's prior prestations (execution of the Affidavits of Desistance) were rendered legally impossible by the dismissal of the criminal cases due to the DOJ Resolution.<sup>130</sup>

For emphasis, Article 1266 of the Civil Code states:

*Article 1266. The debtor in obligations to do shall also be released when the prestation becomes legally or physically impossible without the fault of the obligor*

Viewed in this light, the CA's insistence that the Francis Group can enforce the Compromise Agreement with the assistance of the RTC by way of a Writ of Execution does not find any practical application to

<sup>126</sup> *Id.*

<sup>127</sup> *Id.* at 361-372.

<sup>128</sup> See *Gardinab v. Salamanca*, 736 Phil. 279 (2014).

<sup>129</sup> See *Heirs of Zari, et al. v. Santos*, *supra* note 52.

<sup>130</sup> *Rolla*, G.R. No. 248520, pp. 361-372; penned by Francisco F. Baraan III, Undersecretary.

the facts established in the case.<sup>131</sup> Thus, the Court finds that the Francis Group validly regarded the *unimplemented portions* of the Compromise Agreement as rescinded in view of Emilio's material breach and noncompliance with his part of the bargain. To be sure, the straight jacket execution of a Compromise Agreement is not the only remedy for the Francis Group in the face of Emilio's deliberate refusal to abide by the material terms thereof.<sup>132</sup>

Resultantly, the following obligations are rescinded, to wit: (1) Francis' obligations to turn over to Emilio the original owner's duplicate of the title over the Grace Park Property, as well as Emilio's obligation to reimburse Francis under Title III.1 of the Compromise Agreement; (2) Emilio's obligation to execute and file with the Registrar of Deeds an Affidavit of Cancellation of Adverse Claim pertaining to TCT No. 163755 under Title III.2 of the Compromise Agreement; (3) the Francis Group's obligation to transfer the entirety of their respective shareholdings in GLAC in favor of Emilio and Dexter, as well as the latter's correlative obligations pursuant to Title IV.1, IV.1.a, IV.1.b, IV.1.c, IV.1.d, and IV.1.e of the Compromise Agreement; (4) the parties respective obligations under Title IV.2, IV.2.a, IV.2.b, and IV.2.c of the compromise agreement relative to GLREDC shares; and (5) the parties respective obligations under Title IV.3, IV.3.1, and IV.3.b of the Compromise Agreement relative to SFPC's shareholding.<sup>133</sup> On the other hand, the sale of the Sum-ag, Bacolod Properties by Francis to Emilio is valid notwithstanding the rescission of the unimplemented portions of the Compromise Agreement in view of the separability clause.<sup>134</sup>

**WHEREFORE**, the petition is **PARTIALLY GRANTED**. The Decision dated January 23, 2018 and the Resolution dated July 26, 2019 of the Court of Appeals in CA-G.R. SP Nos. 134744, 136566, 136609, and 145724 are modified in that the Comprehensive Compromise Agreement dated May 4, 2013 is **CANCELLED** in so far as the unimplemented portions thereof are concerned. The assailed Decision and Resolution are **AFFIRMED** in all other respects.

<sup>131</sup> *Id.* at 53.

<sup>132</sup> See *Sonley v. Anchor Savings Bank/Equicom Savings Bank*, *supra* note 116.

<sup>133</sup> *Rollo* (G.R. No. 248520), pp. 311-317.


<sup>134</sup> Item V.3 of the Compromise Agreement states: "Should any part of this Agreement be adjudged null and void by a competent court, all other provisions not so declared shall remain valid, binding and obligatory upon the PARTIES." *Id.* at 316.

**SO ORDERED.**

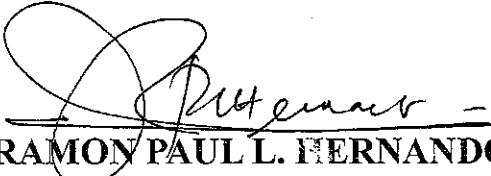


**HENRI JEAN PAUL B. INTING**  
*Associate Justice*

WE CONCUR:



**MARVIC M.V.F. LEONEN**  
*Associate Justice*  
*Chairperson*



**RAMON PAUL L. FERNANDO**  
*Associate Justice*




**EDGARDO L. DELOS SANTOS**  
*Associate Justice*



**JHOSEP Y. LOPEZ**  
*Associate Justice*

**ATTESTATION**

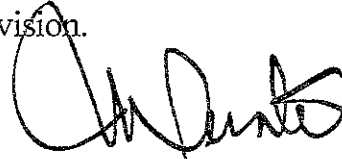
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARVIC M.V.F. LEONEN**  
*Associate Justice*  
*Chairperson*

**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.



**DIOSDADO M. PERALTA**

*Chief Justice*