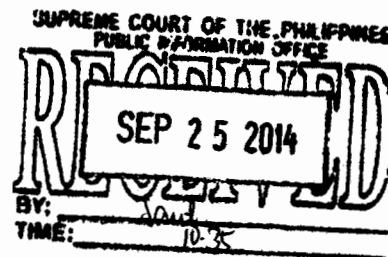




Republic of the Philippines
Supreme Court
Manila
THIRD DIVISION



NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated July 14, 2014, which reads as follows:

“G.R. No. 205908 (*Edgardo P. Torres and Romeo Pulmones vs. Leosalve F. Miranda, substituted by Salustiana F. Miranda*). – Before this court is a petition for review¹ dated March 22, 2013 under Rule 45, seeking to reverse and set aside the September 14, 2012 decision² and January 24, 2013 resolution³ of the Court of Appeals in CA-G.R. CV No. 00861-MIN. The dispositive portion of the assailed decision is as follows:

WHEREFORE, the appeal is GRANTED. Appellant’s motion for reinstatement of the original case is GRANTED. The case is REMANDED to the trial court for trial on the merits based on the original pleadings of the party. The lower court is DIRECTED to proceed with dispatch with the trial of the case.

SO ORDERED.⁴

The assailed resolution denied petitioners’ motion for reconsideration.

This case arose from a complaint⁵ filed on February 12, 1996 by Leosalve F. Miranda at the Regional Trial Court of Pagadian City against Edgardo P. Torres and Romeo Pulmones for declaration of annulment of contract for breach with prayer for recovery of title and damages, docketed as Civil Case No. 3733. In his complaint, Leosalve alleged that in April 1995, he sold to Torres and Pulmones a parcel of land located at Barangay Cuatro-cuatro, Pagadian City, with an area of 18,149 square meters and covered by TCT No. T-7162, for ₱1,350,000.00.⁶ When Torres and Pulmones paid the down payment of ₱700,000.00 and the first monthly

¹ Rollo, pp. 11–23.
² Id. at 99–114.
³ Id. at 116–118.
⁴ Id. at 113.
⁵ Id. at 31–34.
⁶ Id. at 31 and 66.

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installment of ₱54,166.66, Leosalve delivered TCT No. T-7162 to them.⁷ Torres and Pulmones, however, defaulted on the succeeding installments.⁸

In their answer,⁹ Torres and Pulmones countered that their non-payment of the balance was justified because Leosalve did not disclose to them that the lot was to be expropriated by the City Government of Pagadian for the construction of the city bus terminal complex.¹⁰ They joined Leosalve in praying for the rescission of their contract provided that he would return to them not only the total amount of ₱754,166.66 but also the interest charges of the loan obtained by them with a bank to finance the payment of the amount.¹¹

Leosalve later amended his complaint,¹² alleging that Torres and Pulmones paid the agreed down payment of ₱700,000.00, partly in check (for ₱600,000.00) and in cash (₱100,000.00); that only ₱315,000.00 was actually received and acknowledged by him; that the ₱285,000.00 was retained by Torres and Pulmones to cover for the 10% commission of their agent (₱135,000.00) and various expenses (₱150,000.00).¹³

In May 1997, Leosalve died and was substituted by his mother, Salustiana Miranda.¹⁴

In September 2001, a compromise agreement¹⁵ was executed between Salustiana Miranda and Nemia Miranda Blando (an older sister of Leosalve) on one part, and Torres and Pulmones on the other. The parties were assisted by their respective counsels: Atty. Alfredo Y. Galicinao (for Salustiana Miranda and Nemia Miranda Blando) and Atty. Aquiles E. Ceniza, Jr. (for Torres and Pulmones). The parties stipulated that:

- A. [A] 15,000 square meter portion of the lot shall be offered for sale to whosoever is interested;
- B. [A] portion equivalent to 3,149 square meters shall be allotted to the plaintiffs. This portion is where the residential house of the plaintiffs is located. This portion shall not be included in the sale of the property;
- C. [T]he [d]efendants are authorized to sell the portion hereto stipulated;
- D. [T]he consideration of the sale shall be divided between the plaintiff[s] and the defendant[s] at a ratio and proportion or

⁷ Id. at 32.

⁸ Id.

⁹ Id. at 35-39.

¹⁰ Id. at 35.

¹¹ Id. at 38.

¹² Id. at 40-44.

¹³ Id. at 41.

¹⁴ Id. at 67.

¹⁵ Id. at 45-46.

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such sum for each party which is to be determined at the time of sale or by another instrument;

- E. [A]ll expenses of the sale shall be borne by the [d]efendants;
- F. [T]he [p]laintiffs obliges [sic] themselves to execute the necessary Extrajudicial Settlement of Sale once the third party buyer and the herein parties shall have agreed on the price;
- G. [T]his Compromise Agreement shall be the basis of a judgment in the above entitled case. That the reason why this agreement is entered into is to make it easier to sell the subject property. .

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Later, the Regional Trial Court of Pagadian City, Branch 22, would render a judgment¹⁷ on the compromise agreement and consider the case amicably settled and closed.

On June 25, 2004, Salustiana, through Atty. Galicinao, filed a motion to reinstate case¹⁸ alleging the following:

....

3) That obviously the herein defendants appear to be the purchasers of plaintiff's property and has in fact made advances to the plaintiff on the consideration or price of the property;

4) That two (2) years have elapsed since the case was dismissed on the basis of the compromise agreement of the parties and yet nothing was done by defendants to completely finalize the sale by paying plaintiff the full amount of the consideration;

5) That there is a need to have the case reinstated and tried on the merits in view of the non-observance of the terms and conditions set forth in the agreement, and worst still is the fact which has lately been discovered and made known to the plaintiff that the so-called down-payment and/or advances on the price and/or consideration in the sale of the property was charged with an interest. The amount of advances on the price of the property amounting to Five Hundred Thousand (P500,000.00) more or less, has now become [sic] Two Million Two Hundred Thousand (P2,200,000.00) Pesos, more or less in a manner that if the price has been agreed at P3,000,000.00 plaintiff will be able to collect only a remaining balance of P300,000.00.¹⁹

However, a joint motion to dismiss²⁰ dated October 10, 2005 was filed with the trial court, signed only by the parties' respective counsels

¹⁶ Id.

¹⁷ Id. at 47-49.

¹⁸ Id. at 50-52.

¹⁹ Id. at 50-51.

²⁰ Id. at 53-54.

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purportedly stating that they have “fully settled their differences extrajudicially.”²¹

Sixteen days later or on October 26, 2005, respondent Salustiana filed a motion to substitute counsel and admit entry of a new counsel.²² She alleged that as early as September 29, 2005, she had terminated the services of Atty. Galicinao, but the latter did not file the required withdrawal of counsel.²³ Moreover, Atty. Emmanuel C. Opay, her new counsel, and Mrs. Lorilee B. Omandam, her granddaughter, likewise conferred with Atty. Galicinao, but he did not sign the prepared notice of substitution of counsel.²⁴ Salustiana, thus, prayed that Atty. Galicinao be deemed to have withdrawn as her legal counsel and to admit the entry of appearance of Atty. Opay as the new counsel.²⁵ Salustiana likewise prayed that all actions pertaining to the case be held in abeyance pending the admission of Atty. Opay.²⁶

On November 11, 2005, the trial court issued an order²⁷ dismissing the case. It also issued another order²⁸ dated November 11, 2005 denying the motion to substitute counsel and admit entry of a new counsel reasoning that “Salustiana F. Miranda is not the plaintiff in this case but it is Leosalve F. Miranda. Salustiana F. Miranda has no personality to file a pleading in this . . . case and to allow the entry of appearance of Atty. Emmanuel C. Opay.”²⁹

However, on motion for reconsideration,³⁰ the trial court issued an order³¹ dated February 6, 2006 granting the entry of Atty. Opay as new counsel but sustaining the dismissal of the case. It reasoned that “the order of the Court approving the compromise agreement being in accordance with law, and signed by their counsels, the same is in order. The motion for reconsideration on this is denied.”³²

The Court of Appeals’ Twenty-First Division granted Salustiana’s appeal and remanded the case to the trial court for trial on the merits based on the original pleadings of the parties. It held that the motion to reinstate case filed by Salustiana is in the nature of a rescission of the compromise agreement under Article 2041 of the Civil Code. Thus, the trial court’s

²¹ Id. at 53.

²² Id. at 55–57.

²³ Id. at 55.

²⁴ Id.

²⁵ Id. at 56.

²⁶ Id.

²⁷ Id. at 58.

²⁸ Id. at 59.

²⁹ Id.

³⁰ Id. at 60–62.

³¹ Id. at 63.

³² Id.

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denial of the motion has the effect of completely disposing the case and is, therefore, appealable.

Dissatisfied, Torres and Pulmones filed the instant petition, arguing that Salustiana can no longer ask for rescission of the compromise agreement because: 1) it has already been partially complied with, and 2) she failed to deposit before the trial court the ₱580,000.00 she had received as initial payment for the lot.

In her comment³³ dated September 26, 2013, Salustiana countered that of the ₱580,000.00 withdrawn from petitioners as initial payment of the lot, “[she] was charged interests [in the amount] of ₱1,458,600 without any basis.”³⁴ She alleged that “the compromise agreement was implemented in an oppressive manner, [and petitioners were] taking advantage of [her] lowly status, old age, and poverty.”³⁵

In their reply³⁶ dated April 24, 2014, petitioners stated that they were maintaining their position and arguments in their petition.

This court finds the petition to be without merit.

A compromise is a contract intended to prevent or put an end to a lawsuit.³⁷ “Once the compromise is perfected, the parties are bound to abide by it in good faith.”³⁸

From a reading of respondent’s motion to reinstate case, it appears that petitioners did not only incur delay in paying the full consideration due respondent, but they also allegedly imposed exorbitant interest against respondent that the amount due her was practically eroded by the interest which was not stipulated in the compromise agreement. Specifically, respondent avers that of the ₱580,000.00 withdrawn from petitioners, she was charged interest in the amount of ₱1,458,600.00 without any basis.

Significantly, petitioners do not deny this. They, on the other hand, insist that respondent cannot ask for rescission of the compromise agreement because she failed to deposit the ₱580,000.00 before the lower court.

Article 2041 of the Civil Code provides that “[i]f one of the parties fails or refuses to abide by the compromise, the other party may either

³³ Id. at 120–126.

³⁴ Id. at 123.

³⁵ Id.

³⁶ Id. at 132–134.

³⁷ CIVIL CODE, art. 2028.

³⁸ *Ramnani v. Court of Appeals*, 413 Phil. 194, 207 (2001) [Per J. Sandoval-Gutierrez, En Banc].

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enforce the compromise or regard it as rescinded and insist upon his [or her] original demand.”

Petitioners’ refusal to comply with the compromise agreement paved the way for the application of Article 2041 under which respondent may either enforce the compromise or consider it as rescinded and insist upon her original demand. Restitution of what was received is not a pre-condition before the aggrieved party may avail herself of the second option.

Respondent chose to insist upon her original demand. Thus, the Court of Appeals correctly reinstated and remanded the case to the trial court for further proceedings.

Petitioners invoked the ruling of this court in *Reyes v. Lim*³⁹ to justify their position that respondent cannot ask for rescission of the compromise agreement without returning the ₱580,000.00 she had received. In that case, this court upheld the order of the trial court directing the seller to deposit in court the ₱10 million down payment paid by the buyer pending the action for rescission. The court ruled:

[T]he trial court in the exercise of its equity jurisdiction may validly order the deposit of the ₱10 million down payment in court. The purpose of the exercise of equity jurisdiction in this case is to prevent unjust enrichment and to ensure restitution. Equity jurisdiction aims to do complete justice in cases where a court of law is unable to adapt its judgments to the special circumstances of a case because of the inflexibility of its statutory or legal jurisdiction. Equity is the principle by which substantial justice may be attained in cases where the prescribed or customary forms of ordinary law are inadequate.⁴⁰ (Citations omitted)

Reyes v. Lim, however, is not on all fours with this case. In *Reyes*, the seller sought a rescission of the sale because he subsequently sold the same property to another buyer. The court held that “it was just, equitable, and proper for the trial court to order the deposit of the ₱10 million down payment to prevent unjust enrichment by [the seller] at the expense of [the buyer].”⁴¹

Here, petitioners as buyers did not comply with the compromise agreement, prompting respondent as seller to rescind the agreement. Equity cannot be applied to favor one who was in bad faith.⁴²

³⁹ 456 Phil. 1 (2003) [Per J. Carpio, First Division].

⁴⁰ Id. at 10.

⁴¹ Id. at 14.


⁴² *Ramnani v. Court of Appeals*, 413 Phil. 194, 208 (2001) [Per J. Sandoval-Gutierrez, En Banc].

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Wherefore, the petition is **DENIED**. The Regional Trial Court is hereby directed to expeditiously complete the proceedings in Civil Case No. 3733. (*Velasco, Jr., and Peralta, JJ., on official leave; Brion and Perlas-Bernabe, JJ., and Mendoza, J., respectively designated as Acting Members and Acting Chairperson, per Special Order Nos. 1718, 1726 and 1721 (Revised), all dated July 10, 2014. Villarama, Jr., J., designated as Acting Member in view of the vacancy in the Third Division per Special Order No. 1691 dated May 22, 2014.*)

SO ORDERED.”

Very truly yours,


WILFREDO V. LAPITAN
Division Clerk of Court

9/15/14

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