



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **04 August 2021** which reads as follows:*

“G.R. No. 198224 (*Estate of Don Susano J. Rodriguez, represented by Virgilio R. Valenzuela v. Province of Camarines Sur, as represented by Governor Luis Raymund F. Villafuerte, Jr.*). – This resolves the Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court filed by the Estate of Don Susano J. Rodriguez (Estate), praying for the reversal of the April 7, 2011 Decision² and August 4, 2011 Resolution³ of the Court of Appeals (CA) in CA-G.R. SP No. 116384. The CA reversed and set aside the June 22, 2010⁴ and August 11, 2010 Orders of the Regional Trial Court (RTC), Branch 32, Pili, Camarines Sur in Civil Case No. P-2525, which nullified the Compromise Agreement dated April 24, 2000.

Antecedents

Don Susano J. Rodriguez (Don Susano) is the registered owner of a ten-hectare parcel of land located in Pili, Camarines Sur, covered by Transfer Certificate of Title (TCT) No. 3670.⁵ Don Susano died on November 18, 1980. His will was probated before the RTC Branch 56 of Lucena City (Probate Court).⁶

On July 19, 1989, the probate court appointed Ester Rodriguez (Ester) as the Estate’s special administratrix.⁷ Without the knowledge and approval of the probate court, Ester filed three civil cases before the RTC of Pili, Camarines Sur for the recovery of the properties belonging to the Estate. The cases were docketed as Civil Case Nos. P-1995, 1960, and 2068. Particularly, Civil Case No. P-1995 involved the property covered by TCT No. 3670.⁸

¹ *Rollo*, pp. 131-146.

² *Id.* at 33-37; penned by Associate Justice Amy C. Lazaro-Javier (now a Member of this Court) with Associate Justices Rebecca De Guia-Salvador and Sesinando E. Villon, concurring.

³ *Id.* at 47.

⁴ *Id.* at 90-92; issued by Judge Jose C. Sarcilla.

⁵ *Id.* at 48-50.

⁶ *Id.* at 11.

⁷ *Id.* at 51-52.

⁸ *Id.* at 11.

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During the appeal of Civil Case No. 1995, the Estate, represented by Ester as administratrix, and the Province of Camarines Sur, through then Governor Luis R. Villafuerte, agreed to settle the case.⁹ Thus, they executed a Compromise Agreement¹⁰ dated April 24, 2000, the pertinent portions of which state:

2. That in Civil Case No. 1995, herein plaintiff hereby waives and relinquishes its right in the property subject of the case. Plaintiff also recognizes the validity of the Deed of Donation executed by defendant Municipality of Pili in favor of defendant Province of Camarines Sur. Herein plaintiff also affirms that the conditions stated in the same Deed were not capable of compliance, thereby releasing said defendant municipality from the obligation of complying with such conditions. However, because of the legal incapacity of said municipality to perform its obligations under [the] said Deed, the property covered thereby shall be deemed to have accrued to the Province of Camarines Sur. Hence, the remaining portion of the subject donation by the late Don Susano J. Rodriguez is now transferred as it is hereby transferred, conveyed and assigned and ownership thereof vested in the name of the Province of Camarines Sur.

x x x x

5. That plaintiff hereby waives any and all rights and interests on the properties treated and dealt with in Civil Cases Nos. 1960, 1995 and 2068 and in consideration thereof, defendant Province of Camarines Sur shall pay the Estate of Susano J. Rodriguez the amount of THREE MILLION PESOS (Php3,000,000.00).¹¹

x x x x

In compliance with the terms of the Compromise Agreement, the province of Camarines Sur paid Ester ₱3,000,000.00 through Development Bank of the Philippines (DBP) Check No. 471777 dated December 6, 2001. Ester encashed the check.¹²

Thereafter, the Compromise Agreement was judicially approved by the CA in CA-G.R. CV No. 69646. Said judgment on compromise attained finality on September 13, 2001.¹³

On July 31, 2009, several years after the judgment on compromise, the Estate filed a Complaint for Declaration of Nullity of Compromise Agreement¹⁴ before the RTC Branch 32, Pili, Camarines Sur.¹⁵ The case was docketed as Civil Case No. P-2525. The Estate prayed for the nullification of

⁹ Id. at 34.

¹⁰ Id. at 53-55.

¹¹ Id. at 53.

¹² Id. at 12.

¹³ Id. at 34.

¹⁴ Id. at 59-61.

¹⁵ Id.

the portions in the Compromise Agreement pertaining to TCT No. 3670. It argued that said Compromise Agreement is null and void *ab initio*, since Ester was bereft of authority to execute it. Likewise, it averred that as the Special Administratrix, Ester's power to commence and file actions was solely for the purpose of taking charge of, and preserving the Estate's property. Allegedly, she overstepped her mandate when she filed various cases in her personal capacity, sans authority from the probate court, and confirmed the validity of the Deed of Donation purportedly executed by Don Susano during his lifetime, thereby transferring ownership of the property to the Province of Camarines Sur.

Refuting the charges raised in the Complaint, the Province of Camarines Sur¹⁶ countered that Ester had the authority to sign the Compromise Agreement as the Special Administratrix of the Estate.¹⁷ It further averred that the Complaint states no cause of action against it, as it was belatedly filed on July 31, 2009, or eight years, ten months and eighteen days after the Compromise Agreement had become final and executory on September 13, 2001.¹⁸ Thus, the Judgment on Compromise may no longer be altered or amended.¹⁹ Moreover, it pointed out that it may not be held liable since the claims of the Estate have already been paid and abandoned by virtue of the Compromise Agreement.²⁰

Ruling of the RTC

On June 22, 2010, the RTC issued an Order²¹ nullifying the Compromise Agreement. It agreed that the Estate had a cause of action against the Province of Camarines Sur considering that the case involved property that belonged to the former. It clarified that *res judicata* does not apply since the core issue of the case is the validity of the Compromise Agreement and not the CA's decision in the judgment by compromise. It further explained that prescription and laches do not apply against the Estate, as it was not a party in the compromise agreement.²² Finally, it held that Ester acted beyond her authority as the Special Administratrix.²³

The RTC disposed of the case as follows:

Wherefore, finding the affirmative defenses raised by both defendants in their respective answers to have no legal and factual basis, the same is hereby denied for lack of merit.

¹⁶ Id. at 63-71.

¹⁷ Id. at 66.

¹⁸ Id.

¹⁹ Id.

²⁰ Id. at 68.

²¹ Id. at 90-92.

²² Id. at 92.

²³ Id.

SO ORDERED.²⁴

Aggrieved, the Province of Camarines Sur filed a Motion for Reconsideration,²⁵ which was denied in the August 11, 2010 Order²⁶ of the RTC.

Thereafter, the Province of Camarines Sur filed a Petition for *Certiorari*²⁷ under Rule 65 with the CA.

Ruling of the CA

On April 7, 2011, the CA reversed the RTC's pronouncement. The CA held that the RTC has no jurisdiction and is barred by *res judicata* to reverse the Judgment on the Compromise Agreement rendered by the CA in CA-G.R. CV No. 69646 after Civil Case No. P-1995 was appealed to it. It stressed that a second level court cannot nullify the CA's decision, and that fact cannot be altered by the trial court's sophistry to distinguish between the Compromise Agreement and the judgment that approved it. The two are indistinguishable because the force of the Compromise Agreement stems not from the contracting parties' sovereign will, but from the authority of the court that stamped its sanction over it.²⁸ Lastly, the CA cautioned that the RTC must know its place in the hierarchy of courts, and respect judgments that have attained finality and immutability.²⁹

The dispositive portion of the CA ruling reads:

ACCORDINGLY, the petition is GRANTED. The Orders dated June 22, 2010 and August 11, 2010 of the Regional Trial Court, Branch 32, in Pili, Camarines Sur, in Civil Case No. P-2525 entitled "Estate of Don Susano J. Rodriguez, represented by Virgilio R. Valenzuela v. Province of Camarines Sur and Ester L. Rodriguez" are NULLIFIED and SET ASIDE. Civil Case No. P-2525 is DISMISSED WITH PREJUDICE.

SO ORDERED.³⁰

Dissatisfied with the ruling, the Estate filed a Motion for Reconsideration,³¹ which was denied in the August 4, 2011 Resolution³² of the CA.

²⁴ Id.
²⁵ Id. at 93-97.
²⁶ Id. at 98.
²⁷ Id. at 99-113.
²⁸ Id. at 35.
²⁹ Id. at 36.
³⁰ Id. at 36-37.
³¹ Id. at 38-45.
³² Id. at 47.

Undeterred, the Estate filed a Petition for *Certiorari* under Rule 65 with the Court.

However, on October 13, 2011, the Estate filed a Motion to Amend and Admit Amended Petition,³³ changing their petition to a Petition for Review on *Certiorari* under Rule 45. The Court granted the Estate's Motion in its Resolution³⁴ dated November 21, 2011.

Issue

The crux of the case is whether or not the RTC may annul the Compromise Agreement dated April 24, 2000.³⁵

The Estate bewails that the Compromise Agreement is contrary to law or public policy, and is thus, null and void and without any legal effect.³⁶ It points out that Ester entered into the Compromise Agreement and affirmed the Deed of Donation executed by Don Susano during his lifetime without an order from the probate court empowering her to dispose of Don Susano's properties.³⁷ It argues that without proper representation, it did not validly give its consent thereto.³⁸ Accordingly, the Estate claims that the judgment based on the void Compromise Agreement cannot be the source of any right. It surmises that it should not be barred from filing an action to nullify said Agreement.³⁹

Moreover, the Estate posits that the issue in this case pertains to the validity of the Compromise, not the judgment issued by the CA.⁴⁰ It laments that court approval of a void compromise does not give force thereto.⁴¹ Being a void contract, it may not be ratified.⁴² The Estate further asserts that the Agreement may be impugned and its execution restrained in any proceeding by the party against whom it is sought to be enforced.⁴³

Furthermore, the Estate contends that *res judicata* does not apply when the Compromise Agreement is void. Since the Agreement was void, it never attained finality nor can it be considered a judgment on the merits.⁴⁴

On the other hand, the Province of Camarines Sur maintains that the Compromise Agreement is valid because it bears the requisites of a lawful

³³ Id. at 128-130.

³⁴ Id. at 149-150.

³⁵ Id. at 59-62.

³⁶ Id. at 140.

³⁷ Id. at 139.

³⁸ Id.

³⁹ Id. at 140.

⁴⁰ Id.

⁴¹ Id. at 141.

⁴² Id.

⁴³ Id.

⁴⁴ Id. at 143.

contract.⁴⁵ It avers that the Agreement is binding on the Estate since the latter voluntarily entered into said Agreement through Ester, the Special Administrator appointed by the probate court.⁴⁶ It likewise argues that Ester acted within her authority when she entered into the Compromise Agreement.⁴⁷ It points out that Ester made a warranty and representation that she has the lawful authority to sign, enter into a compromise agreement, and is conferred with the power to act for and bind the estate.⁴⁸ It bewails that Ester's failure to inform the probate court of the Compromise Agreement, to render an accounting, and deliver the amount she received should not prejudice it.⁴⁹ Likewise, it contends that Ester's act of affirming the donations made by Don Rodriguez during his lifetime does not involve a disposition or a sale of real property.⁵⁰

Additionally, the Province of Camarines Sur retorts that the judgment approving the Compromise Agreement has already attained finality and hence, can no longer be nullified.⁵¹ It stresses that the CA approved the Compromise Agreement on the ground that it is not contrary to law, morals, good customs, public order or public policy.⁵² Thus, the case is already barred by *res judicata*.⁵³

Further, the Province of Camarines Sur ripostes that the Estate sat on its rights and belatedly filed the complaint for declaration of nullity after eight years.⁵⁴ It posits that the Estate had already benefitted from the Compromise Agreement. Also, it laments that the Estate's inaction should not prejudice its acquired rights.⁵⁵ It emphasizes that it complied with its obligation to pay the agreed amount of ₱3,000,000.00,⁵⁶ and it dealt with the Estate in good faith.⁵⁷ It exhorts that the Estate's recourse is to go after Ester, rather than having the Compromise Agreement annulled. Lastly, it insists that it is an innocent third party insofar as the actions of Ester are concerned.⁵⁸

Ruling of the Court

The petition is denied.

⁴⁵ Id. at 166.

⁴⁶ Id. at 167.

⁴⁷ Id.

⁴⁸ Id. at 168.

⁴⁹ Id.

⁵⁰ Id. at 167.

⁵¹ Id. at 168.

⁵² Id. at 169.

⁵³ Id. at 171.

⁵⁴ Id.

⁵⁵ Id.

⁵⁶ Id. at 172.

⁵⁷ Id.

⁵⁸ Id.

per se

Essentially, a compromise agreement is a contract whereby the parties make reciprocal concessions to avoid a litigation or put an end to one that has already commenced.⁵⁹ A compromise agreement that bears judicial imprimatur transcends a mere contract.⁶⁰ It is regarded as the determination of the controversy between the parties and has the force and effect of a final judgment.⁶¹ It transforms into both a contract and a judgment on the merits⁶² that may neither be disturbed nor set aside except in cases where there is forgery or when either of the parties' consent has been vitiated.⁶³

Consequently, the doctrine on immutability of judgments applies to compromise agreements approved by the courts in the same manner that it applies to judgments rendered through a full-blown trial. Thus, a judgment on compromise that has attained finality cannot be "modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law, and whether it be made by the court that rendered it or by the Highest Court of the land."⁶⁴

In this case, the Compromise Agreement dated April 24, 2000,⁶⁵ bore the CA's judicial imprimatur. As such, it was not just a simple contract forged between two parties, but rather, a judgment on the merits. Said Compromise Agreement which had the force and effect of a final judgment, may not be so easily disturbed.⁶⁶

On this score, the Estate cannot insist that the action for declaration of nullity of the Compromise Agreement in Civil Case No. P-2525 strictly pertained to portions of the said agreement and not to the CA's judicial approval.⁶⁷ This reasoning is sophistic and absurd. The two are intertwined and inseparable, especially since the judgment in CA-G.R. CV No. 69646 is the judicial approval of the Compromise Agreement.

Remarkably, the distinction between an ordinary compromise versus one that bears the court's imprimatur was elucidated in *Tung Hui Chung v. Shih Chiu Huang*.⁶⁸

With this stamp of judicial approval, the compromise agreement became more than a mere contract of the parties. The judicially approved agreement

⁵⁹ CIVIL CODE, Article 2028.

⁶⁰ *Chiquita Brands, Inc. v. Judge Omelio*, 810 Phil. 497, 529-530 (2017), citing *Spouses Martir v. Spouses Verano*, 529 Phil. 120, 125 (2006).

⁶¹ *Id.*, citing *Spouses Martir v. Spouses Verano*, *id.*

⁶² *Id.*, citing *Gadrinab v. Salamanca*, 736 Phil. 279, 293 (2014).

⁶³ *Id.*, citing *Spouses Martir v. Spouses Verano*, *supra*.

⁶⁴ *Id.*, citing *FGU Insurance Corp. v. Regional Trial Court of Makati City, Branch 66*, 659 Phil. 117, 123 (2011).

⁶⁵ *Rollo*, pp. 59-62.

⁶⁶ *Chiquita Brands, Inc. v. Judge Omelio*, *supra*, citing *Spouses Martir v. Spouses Verano*, *supra*, and *Gadrinab v. Salamanca*, *supra*.

⁶⁷ *Rollo*, p. 140.

⁶⁸ 783 Phil. 29 (2016).

was thereby turned into a final judgment, immutable and unalterable, regardless of whether or not it rested on erroneous conclusions of fact and law, and regardless of whether the change would be by the court that rendered it or the highest court of the land. This doctrine of immutability is grounded on fundamental considerations of public policy and sound practice, for, at the risk of occasional errors, judgments of the courts must become final at some definite date set by law. The doctrine exists for the reason that every litigation must come to an end at some time, for it is necessary for the proper enforcement of the rule of law and the administration of justice that once a judgment attains finality, the winning party should not be denied the favorable result. Clearly, the element of public policy and public interest has diluted the purely private interest of the parties before the compromise agreement was approved by the trial court.⁶⁹

Furthermore, in the same case,⁷⁰ the Court stressed the importance of understanding the difference between annulling a simple compromise agreement as opposed to a judgment based on compromise:

The CA did not recognize that what it was asked to annul and set aside in C.A.-G.R. SP No. 88804 was no longer the compromise agreement of the parties but already the judgment based on the compromise agreement. **The failure to recognize led the CA into granting the unprecedented relief of annulling the compromise agreement on the ground of fraud and lack of consent. In so doing, the CA acted without jurisdiction.** First of all, the action before the CA was a special civil action for *certiorari* that had been brought on March 7, 2005, which was way beyond the period of 60 days from the rendition of the judgment based on the compromise agreement on October 20, 2003. The long delay grossly violated Section 4, Rule 65 of the *Rules of Court*, which allowed the petition for *certiorari* to be filed not later than 60 days from notice of the judgment being assailed. Moreover, the grounds relied upon by the respondent in his petition for *certiorari* in C.A.-G.R. SP No. 88804 - that the RTC had committed grave abuse of discretion tantamount to excess or lack of jurisdiction for issuing the writ of execution that was patently unjust, one-side, unfair, fraudulent and unconscionable compromise agreement; and for issuing the writ of execution of the compromise agreement that lacked consideration - were not proper grounds for assailing the judgment based on the compromise agreement. Even assuming that such grounds for the petition for *certiorari* were true, which they were not, the judgment based on the compromise agreement could not be assailed on that basis. As the foregoing excerpt of the assailed decision bears out, the annulment of the judgment based on the compromise agreement was premised on fraud and lack of consent on the part of the respondent as a contracting party, which were far from the jurisdictional error on which the petition for *certiorari* should have rested.⁷¹ (Emphasis supplied)

Equally important, since the Compromise Agreement bore a stamp of judicial approval, the manner of assailing said judgment on compromise is

⁶⁹ Id. at 43.

⁷⁰ Id.

⁷¹ Id. at 42-43.

limited to the following actions:

Since a judgment on compromise agreement is effectively a judgment on the case, proper remedies against ordinary judgments may be used against judgments on a compromise agreement. Provided these are availed on time and the appropriate grounds exist, remedies may include the following: a) motion for reconsideration; b) motion for new trial; c) appeal; d) petition for relief from judgment; e) petition for certiorari; and f) petition for annulment of judgment.⁷²

Unfortunately, the Estate did not avail of any of the afore-mentioned remedies. Rather, in a cavalier fashion, it impudently filed a case for declaration of nullity of Compromise Agreement before the RTC nine years after the execution of said Compromise Agreement, and eight years following its judicial approval. Lamentably, the RTC overstepped its authority and annulled the Compromise Agreement which had been judicially approved by the CA. Verily, the RTC exceeded its jurisdictional limitations by voiding the Agreement which was the subject of a final and executory decision of a higher court.

It further bears noting that the Estate learned about the Compromise Agreement as early as December 2003, the date when Ester's lawyer sought the payment of his legal services from the probate court. This notwithstanding, the Estate filed the complaint for declaration of nullity of the Compromise Agreement on July 31, 2009. It is indeed strange that the Estate waited six long years before asserting its right against the Province of Camarines Sur.

In addition, it is unfair to prejudice the rights of the Province of Camarines Sur, when it faithfully complied with its obligations under the Compromise Agreement by paying ₱3,000,000.00. It relied in good faith on Ester's authority as the administrator of Don Susano's Estate. Indeed, public policy will not be served by allowing the action for annulment to prosper to the detriment of the Province of Camarines Sur.

All told, regardless of the purported flaws in the Compromise Agreement, the Court cannot ignore the procedural mishap committed by the Estate, and regrettably, condoned by the RTC. To allow a lower court to annul the decision of a higher court would wreak havoc and absurdity in our procedural systems and rules. Likewise, to grant the Estate's recourse will degrade the respect due to the judgments rendered by the appellate court. Worse, it may open a floodgate for litigants to indiscriminately question the CA's judicially approved compromises by merely filing actions for declaration of nullity and/or cancellation with the lower courts. Certainly, prudence and judicial restraint mandate that the Court's sympathy towards

⁷² *Gadrinab v. Salamanca*, supra note 62 at 297, citing *Domingo Realty v. Court of Appeals*, 542 Phil. 39, 55-56 (2007).

litigants should yield to established legal rules.⁷³

WHEREFORE, premises considered, the petition is **DENIED** for **lack of merit**. The April 7, 2011 Decision and August 4, 2011 Resolution of the Court of Appeals in CA-G.R. SP No. 116384 are hereby **AFFIRMED**.

SO ORDERED." (Rosario, *J.*, designated additional Member per Special Order No. 2835 dated July 15, 2021.)

By authority of the Court:

TERESITA AQUINO TUAZON
Division Clerk of Court

By:



MA. CONSOLACION GAMINDE-CRUZADA
Deputy Division Clerk of Court *12/22*
22 DEC 2021

ATTY. MIRIAM O. DIPASUPIL-GESTIADA (reg)
Counsel for Petitioner
M. De Camarines St., Daet
4600 Camarines Norte

ATTY. JANIS IAN REGASPI-CLEOFÉ (reg)
Counsel for Respondent
Office of the Provincial Legal Officer
Capitol Complex, Cadlan
Pili, 4418 Camarines Sur

HON. PRESIDING JUDGE (reg)
Regional Trial Court, Branch 32
Pili, Camarines Sur
(Civil Case No. P-2525)

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⁷³ *Chiquita Brands, Inc. v. Judge Omelio*, supra note 60 at 538.