



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated July 6, 2022 which reads as follows:

“G.R. No. 229007 (Ronald Dominguez, herein represented by Caridad Dominguez, v. Ronald M. Padalla). – This is a Petition for Review on *Certiorari*¹ (Petition) filed by petitioner Ronald Dominguez (petitioner) assailing the Decision² dated 23 June 2016 and the Resolution dated 25 October 2016 rendered by the Court of Appeals (CA) in CA-G.R. CV No. 98311. The CA reversed and set aside the Orders dated 19 October 2011 and 14 December 2011 of Branch 3, Regional Trial Court (RTC) of Baguio City in Land Registration Case No. 2011-R, which denied the petition for the issuance of a writ of possession filed by respondent Ronald M. Padalla (respondent).

Antecedents

The case involves a house and lot owned by petitioner which was subject of a real estate mortgage³ executed in favor of respondent to secure petitioner’s loan obligation.

Due to petitioner’s failure to pay his loan within the stipulated period despite demand, respondent extrajudicially foreclosed the mortgage over the subject property, which was sold at a public auction on 19 June 2007 to respondent as the highest bidder. Respondent registered the Certificate of Sale with the Registry of Deeds of Baguio City on 19 July 2008.⁴ After the lapse of the redemption period, respondent caused the issuance of a Final Certificate of Sale on 10 August 2010 as well as the transfer of the tax

¹ *Rollo*, pp. 1-18

² *Id.* at 38-49; penned by Associate Justice Victoria Isabel A. Paredes and concurred in by Associate Justices Magdangal M. De Leon, and Elihu A. Ybañez

³ *Id.* at 22-23.

⁴ *Id.* at 39.

declarations over the subject property in his name.⁵ Thereafter, respondent filed before the RTC a Petition for the issuance of a Writ of Possession to exercise his rights as owner of the subject property which was then in the actual possession of petitioner.

Petitioner opposed⁶ the said petition alleging that on 06 June 2008, he filed a case against respondent for the rescission of the mortgage and auction sale docketed as Civil Case No. 6700-R involving the same property. During the pendency of the said case, petitioner and respondent entered into a compromise agreement⁷ with the following terms and conditions:⁸

1. The FIRST PARTY [petitioner] acknowledged to pay the SECOND PARTY [respondent] THE AMOUNT OF three million pesos Philippine Currency (Php3,000,000.00) payable in One (1) Year and Six (6) Month as full and final settlement of the above-captioned case;
2. The FIRST PARTY shall pay the SECOND PARTY the initial payment on/or before December 31, 2008 the amount of TWENTY THOUSAND PESOS Philippine currency (Php20,000.00) and THIRTY THOUSAND PESOS Philippine currency (Php30,000.00) on/or before January 31, 2009. The remaining balance shall be paid within One (1) Year and Four (4) Months but in no instance that the SECOND PARTY'S monthly installment every end of the month starting the month of February 2009 shall be less than THIRTY THOUSAND PESOS (Php30,000.00) until the whole obligation is fully paid on or before May 30, 2010 and the SECOND PARTY shall surrender the necessary document own by the FIRST PARTY.
3. That, all payments shall be made at the office of ATTY. MILTON BALAGTEY x x x x;
4. In the event that the FIRST PARTY fails to comply with the obligation including the monthly minimum installment under this compromise agreement, the SECOND PARTY is entitled for a Writ of Execution for the FIRST PARTY's obligation;⁹

The said compromise agreement was approved by the RTC in the Decision dated 12 February 2009¹⁰ which became final and executory on 05 March 2009.¹¹ Petitioner further alleged that while he was only able to pay the amount of ₱530,000.00, he intended to pay his balance and prayed to be allowed to complete payment of his remaining obligation under the compromise agreement.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Id. at 52.

⁹ Id.

¹⁰ Id. at 25-27; penned by Presiding Judge Fernando Vil Pamintuan.

¹¹ Id. at 29. Entry of Judgment, 17 September 2009.

Ruling of the RTC

The RTC ruled in favor of petitioner in the Order¹² dated 19 October 2011, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing considerations, the Petition for Issuance of a Writ of Possession is **DENIED** for lack of merit.

The respondent is directed to pay his balance in the amount of TWO MILLION FOUR HUNDRED SEVENTY THOUSAND PESOS (Php2,470,000.00) to petitioner as per the decision based on the Compromise Agreement dated 12 February 2009.

SO ORDERED.¹³ [Emphasis in the original].

The RTC ruled that the issuance of the writ of possession would violate the terms of the final and executory compromise agreement, which provides that respondent is entitled to a writ of execution in the event of petitioner's non-compliance therewith.

Respondent moved for reconsideration which was denied in the Order¹⁴ dated 14 December 2011.¹⁵

Ruling of the CA

On appeal, the CA reversed the ruling of the RTC in its Decision dated 23 June 2016, the dispositive portion of which reads:

WHEREFORE, premises considered, the appeal is **GRANTED**. The Orders dated October 19, 2011 and December 14, 2011, respectively, of the Regional Trial Court, Branch 3, Baguio City, in Land Registration Case No. 2011-R, are hereby **REVERSED** and **SET ASIDE**. Let a writ of possession issue against Ronald Dominguez.

Accordingly, Ronald Padalla is also ordered to return to Ronald Dominguez the amount of ₱530,000.00.

SO ORDERED.¹⁶ [Emphasis in the original.]

The CA ratiocinated that due to petitioner's non-compliance with the compromise agreement, respondent had the right to consider the same rescinded pursuant to Article 2041 of the Civil Code, with the correlative duty to return the partial payment made by petitioner since rescission carries with it the duty to return the object of the contract.¹⁷

With the rescission of the compromise agreement and the expiration

¹² Id. at 32-35; penned by Acting Presiding Judge Rose Mary R. Molina-Alim.

¹³ Page 35

¹⁴ Id. at 36.

¹⁵ Id. at 40.

¹⁶ Id. at 48.

¹⁷ Id. at 43-44.

of the redemption period, the issuance of a writ of possession in favor of respondent becomes ministerial and cannot be enjoined even by the filing of a civil case for declaration of nullity of the foreclosure and auction sale.¹⁸

The CA likewise denied petitioner's motion for reconsideration¹⁹ in the Resolution dated 25 October 2016.

Feeling aggrieved, petitioner filed the present Petition.²⁰

Issue

The sole issue for consideration of the Court is whether or not the CA erred in granting the writ of possession in favor of respondent in contravention of the judicially approved compromise agreement between the parties.

Ruling of the Court

The Petition must be denied.

A judicially approved compromise agreement may be rescinded by a party thereto in the event of non-compliance by the other party pursuant to Article 2041 of the Civil Code

Petitioner argues that the compromise agreement approved by the RTC in Civil Case No. 6700-R, which already became final and executory, has the force of *res judicata* between the parties. He further contends that the remedy in case of failure of a party to abide by the compromise agreement is the execution thereof.²¹

Indeed, a compromise has upon the parties the effect and authority of *res judicata* as provided in Article 2037²² of the Civil Code. A judgment on a compromise is final and executory, in the absence of a motion to set the same aside on the ground of fraud, mistake, or duress.²³

Since a judgment on compromise is effectively a judgment on the merits, in the event of non-compliance of one or some of the parties with the terms of a judicially approved compromise agreement, a party may move for the execution of the same or avail of other remedies against ordinary judgments such as motion for reconsideration, motion for new trial, appeal,

¹⁸ Id. at 45.

¹⁹ Id. at 50-63

²⁰ Id. at 3-18.

²¹ Id. at 58

²² **Article 2037.** A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.

²³ *Pasay City Government v. Court of First Instance of Manila, Branch X*, 217 Phil. 513 (1984).

petition for relief from judgment, petition for *certiorari*, and petition for annulment of judgment.²⁴

Markedly, aside from the enforcement of the compromise through a motion for execution of the same, Article 2041 of the Civil Code allows a party to rescind the compromise, thus:

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.** [Emphasis supplied.]

Prior to the effectivity of the present Civil Code, where a party violated the terms of a compromise agreement, the only recourse open to the other party was to enforce the terms thereof.²⁵ The present Civil Code, however, created the right of rescission which should be “deemed to qualify the broad precept enunciated in Article 2037.”²⁶

In exercising this right of rescission, a party aggrieved by the breach of a compromise agreement may, if he chooses, bring the suit contemplated or involved in his original demand, as if there had never been any compromise agreement, without bringing an action for rescission thereof.²⁷

The exercise of the option to rescind a compromise, whether or not judicially approved, through the institution of a case to insist on the original demand has been recognized in a number of cases.

In *Morales v. National Labor Relations Commission*²⁸ and *Inutan v. Napar Contracting & Allied Services*,²⁹ We upheld the right of the workers therein to re-institute their illegal dismissal complaints upon their employers’ failure to comply with their respective obligations under the compromise agreements.

In *Chavez v. Court of Appeals*,³⁰ the Court found proper the institution by the respondent therein of a case for recovery of unrealized profits and reimbursement of advance rentals with damages to insist on his original demand under a lease contract upon failure of the petitioner therein to comply with his obligations under the compromise settlement before the Office of the *Barangay* Captain.³¹

In this case, it is undisputed that petitioner failed to comply with the terms of the compromise agreement. Such non-compliance may be construed as repudiation because it denotes that petitioner did not intend to

²⁴ *Gadrinab v. Salamanca*, 736 Phil. 279, 297 (2014).

²⁵ *Heirs of Zari v. Santos*, 137 Phil. 79, 87 (1969).

²⁶ *Id.*

²⁷ *Leonor v. Sycip*, 111 Phil. 859, 865 (1961).

²⁸ *See Morales v. National Labor Relations Commission*, 311 Phil. 121, 132-133 (1995).

²⁹ 773 Phil. 593, 609-610 (2015).

³⁰ 493 Phil. 945, 953 (2005).

³¹ *Id.* at 954.

be bound by the terms thereof, thereby negating the very purpose for which it was executed. While petitioner alleges that he attempted to pay the remaining amount of his obligation which the respondent refused,³² such attempt appears to have been made after the institution of the petition for the issuance of writ of possession. Considering that the choice between enforcement or rescission lies with the respondent, his refusal to accept the belated payment is justified. In the same vein, the “tender of payment” made by petitioner through the deposit of ₱3,000,000.00 with the RTC Baguio³³ cannot be given consideration.

Clearly, respondent’s filing of the petition for the issuance of writ of possession evinces his choice to exercise the option to rescind the compromise agreement and insist on his original demand. Such option, being a right provided by law, is available to respondent despite the absence of express stipulation in the compromise agreement providing therefor.³⁴ Notably, while the compromise agreement states that respondent is entitled to a writ of execution in the event of the latter’s non-compliance therewith, the language of the said stipulation does not appear exclusionary, nor does it appear to constitute as a waiver of the right to rescission. Having elected to exercise his right to rescind, the Court cannot force the respondent to execute the compromise agreement as petitioner would have Us do.

Petitioner’s invocation of the Court’s equity jurisdiction must likewise be rejected. This Court, while aware of its equity jurisdiction, is first and foremost, a court of law.³⁵ The loss of a family home which holds sentimental value, as averred by petitioner, is indeed unfortunate. However, We cannot rule based on equity to overrule a positive provision of law in favor of respondent.

The issuance of writ of possession is ministerial upon the expiration of the redemption period

With the valid rescission of the compromise agreement, respondent’s right to a writ of possession was correctly upheld by the CA. It is settled that it is the trial court’s ministerial duty to issue a writ of possession to the purchaser at the foreclosure sale upon the lapse of the period of redemption, which period is not extendible and not tolled even by the pendency of an action questioning the legality of the foreclosure sale or enforcing the right

³² To support his claim, petitioner submitted the Affidavit of Elmer Datuin, his former counsel of record, and the Certification dated 23 February 2011 of Baguio-Benguet Market Plaza Cooperative, Multipurpose certifying that Caridad Dominguez has a balance of ₱2,500,471.24 (Annexes “E” and “F” of the Petition).

³³ *Rollo*, pp. 85-89. Compliance with Motion to Admit Tender of Payment/ Compliance of the Obligation Arising From the Compromise Agreement dated 31 July 2018.

³⁴ *See Sonley v. Anchor Savings Bank*, 792 Phil. 738, 749-750 (2016), where the right of the party to obtain a writ of execution despite such option not being specifically provided in the judicially approved compromise agreement was upheld.

³⁵ *Samedra v. Court of Appeals*, 330 Phil. 1074, 1081 (1996).

of redemption.³⁶

Verily, respondent is entitled to a writ of possession upon the end of the redemption period, that is, one year after the registration of the Certificate of Sale on 19 July 2008. This is true notwithstanding petitioner's filing of the case for rescission of the mortgage and auction sale in Civil Case No. 6700-R, from which the compromise agreement originated.

WHEREFORE, premises considered, the petition is hereby **DENIED**. Accordingly, the Decision dated 23 June 2016 and the Resolution dated 25 October 2016 rendered by the Court of Appeals in CA-G.R. CV No. 98311 are **AFFIRMED**.

SO ORDERED."

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court
m 9/23

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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The Hon. Presiding Judge
Regional Trial Court, Branch 3
2600 Baguio City
(LRC Case No. 2011-R)

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N/A

³⁶ See *Bank of the Philippine Islands v. Spouses Tarampi*, 594 Phil. 198, 206 (2008); *Mahinay v. Dura Tire & Rubber Industries, Inc.*, 810 Phil. 57, 71 (2017).

