



Republic of the Philippines
Supreme Court
Manila

SPECIAL FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Special First Division, issued a Resolution dated February 22, 2023 which reads as follows:

“G.R. No. 247856 (*Heirs of the Late Lourdes Dionisio-Galian, herein represented by Hilda D. Galian, Heirs of Erlinda Dionisio-Segundo, herein represented by Guillermo J. Segundo, Leticia Dionisio-Wakat, Regina Dionisio-Wakat and Willy N. Dionisio v. Lardy Dionisio and Remedios Dionisio, Grace G. Wayagwag-Echanes, Spouses Demetria and Gerald Takio, and the Municipal Assessor of Tuba, Benguet*). - This resolves the Motion for Reconsideration¹ (MR) filed by respondents spouses Gerald and Demetria Takio (spouses Takio), and the Manifestation with Motion to Dismiss² filed by respondent Grace W. Echanes (Echanes), of the Resolution³ dated June 16, 2021 of the First Division of this Court, which set aside the Decision⁴ dated May 31, 2019 of the Regional Trial Court (RTC) of La Trinidad, Benguet, Branch 62. The RTC dismissed the appeal of Heirs of the late Lourdes Dionisio-Galian, herein represented by Hilda D. Galian; and Heirs of Erlinda Dionisio-Segundo, herein represented by Guillermo J. Segundo, Leticia Dionisio-Wakat, Regina Dionisio-Wakat and Willy N. Dionisio (petitioners) and affirmed *in toto* the Order of the Municipal Circuit Trial Court (MCTC) of Tuba-Sablan, Benguet dismissing petitioners’ complaint for being barred by prior judgment.

Antecedents

The instant controversy finds its origins from the complaint for reconveyance, cancellation of tax declaration, and damages filed by petitioners against respondents before the MCTC, docketed as Civil

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¹ *Rollo*, pp. 161-171.

² *Id.* at 174-185.

³ *Id.* at 149-159.

⁴ *Id.* at 34-47. Penned by Judge Danilo P. Camacho.

Case No. 380. Petitioners sought to get back a parcel of land and a family home, spanning an area of 10,255 square meters, located at Sitio Caucalan, Barangay Taloy Sur, Tuba, Benguet, covered by Tax Declaration/Assessment of Real Property No. 99-012-00796 in the name of Maria Narciso (Maria), who died on September 30, 2008.⁵

Lourdes, Erlinda, Leticia, Regina and Willy (the predecessors of petitioners) and respondent Lardy Dionisio (Lardy) are the children of the late Maria and Ceferino Dionisio. Lardy and his family resided in the family home, while the predecessors of petitioners settled elsewhere.⁶

Petitioners claim that the subject lot was mortgaged to Tubao Credit Cooperative, Inc. on August 3, 1998, as collateral for a ₱20,000.00 loan. The loan was fully paid on September 14, 2006.⁷

Without petitioners' knowledge, respondents spouses Lardy and Remedios Dionisio (spouses Dionisio), together with the spouses Takio, pretended to be co-owners of the subject lot, and executed a Promissory Note with Real Estate Mortgage (PN-REM) dated September 13, 2006 in favor of Echanes, using the subject lot as collateral for the loan of ₱200,000.00 payable on or before December 14, 2006, with 10% monthly interest. It was stated in the document that Lardy was the spouse of Maria, despite Echanes' personal knowledge that Lardy was Maria's son. Remedios Dionisio (Remedios) falsified the signature of Maria, as the latter did not know how to read and write.⁸

The spouses Dionisio and spouses Takio failed to pay the loan. Thus, Echanes caused the foreclosure of the mortgage, and an auction sale was conducted with Echanes as the highest bidder. The Sheriff's Certificate of Sale was recorded in the Register of Deeds, and the tax declaration was transferred in the name of Echanes.⁹

In view of respondents' actions, petitioners filed a complaint for reconveyance, insisting that upon the death of Maria on September 30, 2008, the subject lot was inherited by the surviving children, each owning 1/6 undivided interest on the parcel of land. Petitioners claimed that respondents' illegal actions prejudiced them of their rightful shares of the property.¹⁰

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⁵ *Id.* at 149-150.

⁶ *Id.* at 150.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 151.

For their part, the spouses Dionisio alleged in their Answer that the spouses Takio knew that the PN-REM was falsified. They also claimed that Remedios was merely convinced by the spouses Takio to sign as Maria. They argued that the PN-REM could not be the basis of a valid foreclosure as a forged deed is a nullity and conveys no title. In their cross-claim, the spouses Dionisio sought reimbursement from spouses Takio for whatever amount they may be ordered to pay as a consequence of the action against them.¹¹

Meanwhile, the spouses Takio claimed that they were mere witnesses to the document, and that they were unaware that Lardy was not the sole owner of the subject property. They explained that while they shared in the proceeds of the loan, they already paid their share in the amount of ₱135,000.00.¹²

Echanes moved to dismiss the complaint, raising the defense of *res judicata*. She pointed out that an earlier case filed by petitioners for annulment of mortgage and annulment of foreclosure sale before the RTC, Branch 8, La Trinidad, Benguet, docketed as Civil Case No. 11-CV-2738, involving the same parties, subject matter, and cause of action, had already been dismissed in the Order dated March 26, 2013 for failure to prosecute and thus, constitutes an adjudication on the merits of the case.¹³

Echanes also pointed out that petitioners attempted to appeal the dismissal of Civil Case No. 11-CV-2738, but the appeal was denied for being filed out of time. Petitioners filed a petition for *certiorari* before the Court of Appeals (CA), but it was likewise dismissed for failure to fully pay the required docket and other legal fees.¹⁴ Petitioners filed a petition for relief under Rule 38 of the Rules of Court asking for relief from the judgment of the RTC dismissing the complaint, but the petition was denied for having been filed out of time. The CA likewise dismissed the petition for *certiorari* filed by petitioners due to infirmities when petitioners attempted to seek redress before the CA. The case was further elevated to this Court, which also denied the petition.¹⁵

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¹¹ *Id.*
¹² *Id.*
¹³ *Id.* at 151-152.
¹⁴ *Id.* at 152.
¹⁵ *Id.*



The MCTC Ruling

The MCTC, in its July 2, 2018 Order, dismissed the complaint for reconveyance, cancellation of tax declaration, and damages, for being barred by prior judgment.¹⁶

The MCTC held that all the requisites of *res judicata* were present: (1) the Order of the RTC dismissing Civil Case No. 11-CV-2738 had attained finality; (2) the dismissal order for failure to prosecute had the effect of adjudication on the merits of the case as provided under Section 3, Rule 17 of the Rules of Court; (3) said dismissal order was rendered by the RTC having jurisdiction over the subject matter and parties; and (4) there is identity of parties, subject matter, and cause of action between the first and second actions. The MCTC found that the complaint for reconveyance, cancellation of tax declaration, and damages on one hand, and Civil Case No. 11- CV-2738 on the annulment of mortgage and annulment of foreclosure sale, on the other, both ultimately called for a determination of the validity of the mortgage and foreclosure sale.¹⁷

Aggrieved, petitioners appealed to the RTC.

The RTC Decision

The RTC dismissed the appeal in its Decision¹⁸ dated May 31, 2019, the dispositive portion of which reads:

WHEREFORE, in the light of the foregoing disquisitions, the appeal is hereby dismissed for lack of merit.

The Decision appealed from is hereby affirmed in toto.

SO ORDERED.¹⁹

The RTC ruled that all the requisites of *res judicata* were present. It found that the dismissal of the earlier filed Civil Case No. 11-CV-2738 for failure to prosecute was an adjudication on the merits, and that the RTC which heard the case had jurisdiction to try it since an action for annulment of mortgage and foreclosure sale was an action incapable of pecuniary estimation.²⁰

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¹⁶ Id.

¹⁷ Id. at 152-153.

¹⁸ Id. at 34-47.

¹⁹ Id. at 47.

²⁰ Id. at 153.

Aggrieved once more, petitioners filed a Petition for Review on *Certiorari*²¹ before the Court.

The SC Ruling (First Division)

The Court's First Division issued a Resolution²² dated June 16, 2021, granting the petition and setting aside the RTC decision, the dispositive portion of which reads:

WHEREFORE, the instant petition is **GRANTED**. The Decision dated May 31, 2019 of the Regional Trial Court of La Trinidad, Benguet, Branch 62 is **SET ASIDE**. The Municipal Circuit Trial Court of Tuba-Sablan, Benguet is directed to **REINSTATE** Civil Case No. 380 for trial on the merits and to **RESOLVE** the same with dispatch.

The respondent Spouses Demetria and Gerald Takio's third and fourth motions for extension of time totaling twenty-five (25) days from September 26, 2020 within which to file a comment on the petition for review on certiorari, are **GRANTED**, counted from September 26, 2020. The said respondents' comment on the petition for review on certiorari, is **NOTED**. The said respondents' manifestation with motion, stating that prior to the receipt of the Resolution dated September 21, 2020, they filed twin motions for extension of time totaling twenty-five (25) days, is **NOTED**, and their prayer for the reconsideration of the Resolution dated September 21, 2020, and their comment on the petition for review on certiorari filed within the extended period be admitted, is **GRANTED**.²³

The Court's First Division ruled that recourse directly to the Supreme Court from the RTC *via* a petition for review on *certiorari* under Rule 45 of the Rules of Court was proper and warranted under the circumstances, considering that the issue principally raised was the application of the principle of *res judicata*, a question of law.²⁴

Moreover, the Court's First Division found that the second case for reconveyance, cancellation of tax declaration, and damages was indeed dismissible for being barred by *res judicata*. Nonetheless, the Court agreed with petitioners that *res judicata* should be disregarded in the broader interest of substantial justice, and considering the peculiar circumstances of the case.²⁵

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²¹ Id. at 12-33.

²² Id. at 149-159.

²³ Id. at 158.

²⁴ Id. at 156.

²⁵ Id. at 157.

Particularly, the Court's First Division emphasized that there was no determination of the substantive issues raised in Civil Case No. 11-CV-2738, including the validity or nullity of the PN-REM, the ultimate source of the right of Echanes in acquiring the subject lot. The Court's First Division equally stressed that a determination of the validity or nullity of the PN-REM was necessary considering the insistence of petitioners and the admission of spouses Dionisio, who were parties to the execution of the PN-REM, that the document was forged. Verily, the spouses Dionisio had admitted that: Maria, the registered owner of the subject lot, did not participate in the execution of the document; Maria's signature was forged by Remedios; and Lardy was made to appear as Maria's spouse when in fact he was Maria's son. The Court's First Division concluded that if a strict adherence to the application of the Rules would result in a grave miscarriage of justice, the Court will not hesitate to relax the same in favor of substantial justice, which is after all the avowed purpose of all law and jurisprudence.²⁶

On February 18, 2022, spouses Takio filed their MR²⁷ of the assailed Resolution of this Court's First Division, insisting that *res judicata* should be applied to the instant case. Meanwhile, respondent Echanes filed a Manifestation with Motion to Dismiss,²⁸ dated June 1, 2022, attaching an Agreement²⁹ and a Joint Affidavit of Conformity,³⁰ among others, in her attempt to show that an amicable settlement/agreement has been reached by the parties.

Our Ruling

The MR filed by the spouses Takio must be denied. The MCTC is directed to receive the Manifestation with Motion to Dismiss filed by Echanes.

In the MR filed by the spouses Takio, they argue that direct recourse to the Court *via* a petition for review on *certiorari* from the dismissal by the RTC was improper. They point out that the Court's First Division "cannot possibly pass upon the issue [of] whether [or not] the petitioners are entitled to the relaxation of procedural rules in

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²⁶ Id. at 157-158.

²⁷ Id. at 161-171.

²⁸ Id. at 174-185.

²⁹ Id. at 179.

³⁰ Id. at 181-182.

the spirit of substantial justice without necessarily delving into the facts and circumstances surrounding the supposed negligence of [petitioners'] counsel."³¹ They also argue that the petition should have been dismissed outright for failure to attach material portions of the record.³²

Anent their first argument, the spouses Takio point out that a question of fact must first be determined, *i.e.*, whether or not petitioners' counsel was negligent, in order to determine the applicability of *res judicata*. Thus, the spouses Takio argue that the principal issue raised by petitioners is a question of fact, and not a pure question of law.

This argument is untenable.

In *Far Eastern Surety and Insurance Co., Inc. v. People*,³³ cited by the spouses Takio, the Court discussed the difference between a question of law and a question of fact.

A question of law arises when there is doubt as to what the law is on a certain state of facts, while there is a question of fact when the doubt arises as to the truth or falsity of the alleged facts. For a question to be one of law, its resolution must not involve an examination of the probative value of the evidence presented by the litigants, but must rely solely on what the law provides on the given set of facts. If the facts are disputed or if the issues require an examination of the evidence, the question posed is one of fact. The test, therefore, is not the appellation given to a question by the party raising it, but **whether the appellate court can resolve the issue without examining or evaluating the evidence, in which case, it is a question of law**; otherwise, it is a question of fact.³⁴ (Emphasis supplied; citations omitted)

In determining the applicability of the principle of *res judicata* in the instant case, the Court's First Division did not need to re-examine or re-evaluate the evidence. Contrary to the claim of the spouses Takio, it was not necessary to address the question of whether or not the counsel of petitioners was negligent. In fact, nowhere in the assailed Resolution does it state that *res judicata* was disregarded because of the negligence of petitioners' counsel. Rather, *res judicata* was not applied for reasons of substantial justice, because there was a lack of determination of the substantive issues in view of the dismissal of Civil Case No. 11-CV-2738 for failure to prosecute.

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³¹ Id. at 166.

³² Id. at 162.

³³ 721 Phil. 760 (2013).

³⁴ Id. at 767.

In the assailed Resolution of the Court's First Division, the Court, citing *Aledro-Ruña v. Lead Export and Agro-Development Corp.*,³⁵ discussed how *res judicata* should be disregarded in the instant case, in the broader interest of substantial justice:

However, *res judicata* is to be disregarded if its rigid application would involve the sacrifice of justice to technicality, particularly in this case where there was actually no determination of the substantive issues in the first case. There was no legal declaration of the parties' rights and liabilities. x x x

x x x x

The broader interest of justice as well as the circumstances of the case justifies the relaxation of the rule on *res judicata*. The Court is not precluded from re-examining its own ruling and rectifying errors of judgment if blind and stubborn adherence to *res judicata* would involve the sacrifice of justice to technicality. This is not the first time that the principle of *res judicata* has been set aside in favor of substantial justice, which is after all the avowed purpose of all law and jurisprudence. x x x³⁶ (Citations omitted)

In this case, there was no determination of the substantive issues in Civil Case No. 11-CV-2738, as the case was dismissed for failure to prosecute.

Clearly, in determining whether or not to apply the principle of *res judicata*, resort to jurisprudential rules was performed by the Court's First Division, without the need of further ascertaining the evidence.

The spouses Takio also argue that the petition should have been dismissed outright for failure to attach material portions of the record.

Relevant thereto, the Court, in *Galvez v. Court of Appeals*,³⁷ has ruled that a petition lacking an essential pleading or part of the case record may still be given due course or reinstated (if earlier dismissed) upon showing that petitioner later submitted the documents required, or that it will serve the higher interest of justice that the case be decided on the merits.

It bears emphasizing that spouses Dionisio, who were parties to the execution of the PN-REM, had admitted that: Maria, the registered owner of the subject lot, did not participate in the execution of the

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³⁵ 836 Phil. 946 (2018).

³⁶ Id. at 960-961.

³⁷ 708 Phil. 9, 20 (2013).

document; Maria's signature was forged by Remedios; and Lardy was made to appear as Maria's spouse when in fact he was Maria's son. In view of these admissions of fraud by spouses Dionisio, the Court's First Division had underscored that if a strict adherence to the application of the Rules would result in a grave miscarriage of justice, this Court will not hesitate to relax the same in favor of substantial justice, which is after all the avowed purpose of all law and jurisprudence.³⁸ Undoubtedly, the higher interest of justice shall be served, if petitioners are afforded the chance to prove their claims.

At this juncture, the Court notes that Echanes filed a Manifestation with Motion to Dismiss dated June 1, 2022, praying for the dismissal of the instant case in view of a purported "amicable settlement/agreement" reached by the parties in the case. Attached to the Manifestation with Motion to Dismiss is an Agreement³⁹ entered into between Echanes and the spouses Dionisio, and a Joint Affidavit of Conformity⁴⁰ bearing petitioners' signatures.

The Court has recognized the validity of compromise agreements concerning cases pending trial, and even those in which a final judgment has already been rendered. In *Spouses Roberto v. Spouses Soriano*,⁴¹ the Court discussed that:

The issue involving the validity of a compromise agreement notwithstanding a final judgment is not novel. *Jesalva v. Bautista*⁴² upheld a compromise agreement that covered cases pending trial, on appeal, and with final judgment. The Court noted that Article 2040 (of the Civil Code) impliedly allowed such agreements; there was no limitation as to when these should be entered into. *Palanca v. Court of Industrial Relations*⁴³ sustained a compromise agreement, notwithstanding a final judgment in which only the amount of back wages was left to be determined. The Court found no evidence of fraud or of any showing that the agreement was contrary to law, morals, good customs, public order, or public policy.⁴⁴

There is no justification to disallow a compromise agreement, solely because it was entered into after final judgment. The validity of the agreement is determined by compliance with the requisites and

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³⁸ *De Leon v. Balinag*, 530 Phil. 299, 310 (2006).

³⁹ *Rollo*, pp. 179-180.

⁴⁰ *Id.* at 181-182.

⁴¹ G.R. No. 219431, August 24, 2020.

⁴² 105 Phil. 348 (1959).

⁴³ 150-C Phil. 354 (1972).

⁴⁴ *Sps. Roberto v. Sps. Soriano*, *supra*.

principles of contracts, not by when it was entered into. As provided by the law on contracts, a valid compromise must have the following elements: (1) the consent of the parties to the compromise, (2) an object certain that is the subject matter of the compromise, and (3) the cause of the obligation that is established.⁴⁵

While the Court recognizes that there is nothing to prevent the parties from entering into a compromise agreement, the Court nonetheless finds that a greater degree of circumspection must be exercised, especially considering the long standing allegations of fraud by petitioners, and more importantly, the admission of fraud by spouses Dionisio.

A compromise between the parties may very well be a welcome development for both petitioners and respondents. However, considering the checkered history between the parties, marred by allegations and admissions of fraud and deceit, the Court finds that caution must be exercised in ascertaining whether or not such compromise had been voluntarily, freely, and intelligently executed by the parties, who had full knowledge of the judgment.⁴⁶

The Court's First Division, in its assailed Resolution, had already directed the MCTC of Tuba-Sablan, Benguet, to reinstate Civil Case No. 380, and to resolve the same with dispatch.⁴⁷ Accordingly, the Court finds it necessary and proper to likewise direct the MCTC to receive from Echanes her Manifestation with Motion to Dismiss, along with its attachments, in order to determine whether or not the compromise agreement has been validly entered into by the parties.

WHEREFORE, the Motion for Reconsideration filed by respondents spouses Gerald and Demetria Takio is **DENIED**. The Resolution dated June 16, 2021 of the Court setting aside the Decision dated May 31, 2019 of the Regional Trial Court of La Trinidad, Benguet, Branch 62, and directing the Municipal Circuit Trial Court of Tuba-Sablan, Benguet to reinstate Civil Case No. 380 for trial on the merits and to resolve the same with dispatch, is hereby **AFFIRMED**.

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⁴⁵ Id.

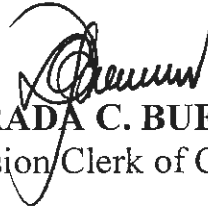
⁴⁶ See *Magbanua v. Uy*, 497 Phil. 511, 525-526 (2005).

⁴⁷ *Rollo*, p. 158.

The Municipal Circuit Trial Court of Tuba-Sablan, Benguet is hereby directed to **RECEIVE** the Manifestation with Motion to Dismiss of respondent Grace G. Wayagwag-Echanes, to determine the validity of the compromise agreement submitted by respondent Echanes.

SO ORDERED.”

By authority of the Court:



LIBRADA C. BUENA
Division Clerk of Court

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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