



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NESTOR T. GADRINAB,
Petitioner,

G.R. No. 194560

Present:

VELASCO, JR., *J.*, *Chairperson*,
PERALTA,
VILLARAMA, JR.*
MENDOZA, and
LEONEN, *JJ.*

-versus-

NORA T. SALAMANCA, ANTONIO
TALAO, AND ELENA LOPEZ,
Respondents.

Promulgated:
June 11, 2014

X-----
Wesley D. Sison-----X

DECISION

LEONEN, *J.*:

A judgment on compromise agreement is a judgment on the merits. It has the effect of *res judicata*, and is immediately final and executory unless set aside because of falsity or vices of consent. The doctrine of immutability of judgments bars courts from modifying decisions that have already attained finality, even if the purpose of the modification is to correct errors of fact or law.

This Rule 45 petition seeks the review of the Court of Appeals' decision¹ dated July 22, 2010 and its resolution² dated November 19, 2010.

* Villarama, Jr., *J.*, designated as Acting Member per Special Order No. 1691 dated May 22, 2014 in view of the vacancy in the Third Division.

¹ *Rollo*, p. 31-42. This decision was penned by Associate Justice Noel G. Tijam, with Associate Justices Marlene Gonzales-Sison and Danton Q. Bueser concurring.

² *Id.* at 43-45. This resolution was penned by Associate Justice Noel G. Tijam, with Associate Justices Marlene Gonzales-Sison and Danton Q. Bueser concurring.

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The Court of Appeals dismissed petitioner's appeal and affirmed the Regional Trial Court's decision granting respondent Salamanca's motion for physical partition pending the execution of a judgment on compromise agreement between the parties.

Respondents, together with Adoracion Gadrinab and Arsenia Talao, are siblings and heirs of the late Spouses Talao, Nicolas and Aurelia.³ The Spouses Talao died intestate, leaving a parcel of land in Sta. Ana, Manila.⁴

The five Talao children divided the property among themselves through an extrajudicial settlement.⁵ Subsequently, Arsenia Talao waived her share over the property in favor of her siblings.⁶

Respondent Salamanca filed a complaint for partition against her siblings, Antonio, Elena (deceased, now represented by her husband, Jose Lopez), and Adoracion (deceased, now represented by heirs, petitioner Nestor and Francisco Gadrinab) before the Regional Trial Court of Manila.⁷

All parties claimed their respective shares in the property.⁸ They also claimed shares in the rentals collected from one of the units of a duplex apartment on the property.⁹ The total amount of rental collection in the possession of Jose Lopez was ₱528,623.00.¹⁰ The amount, according to Jose's counsel, was ready for distribution.¹¹

Upon being referred to mediation, the parties entered into a compromise agreement and stipulated the following:

- 1) That the subject property (land with all the improvements) situated at 2370 Nacar Street, San Andres, Sta. Ana, Manila will be subject for sale and the amount will be divided among the four (plaintiff and defendants);
- 2) That the subject property will be appraised by independent appraiser and the appraised value will be divided into four. Mr. Antonio Talao will pay in advance the share of Francisco Gadrinab immediately after the report of the said appraisal;
- 3) That Cuervo Appraiser will be the one who appraised [sic] the property on or before March 21, 2003 and any appraised value shall

³ Id. at 32.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Id.

⁹ Id. at 33.

¹⁰ Id.

¹¹ Id.

binding [sic] on all parties;

4) That the rental collection in its total amount of Five Hundred Twenty Eight Thousand and Six Hundred Twenty Three Pesos (₱528,623.00) and the uncollected amount up to February 2003 once collected will be divided among the parties;

5) That the amount of ₱528,623.00 divided by four be distributed among the parties will be given to all parties on or before March 12, 2003 by Mr. Antonio Talao;

6) That upon payment of the appraised value to Francisco Gadrinab, Mr. Nestor Gadrinab is given forty-five (45) days within which to leave the premises in question;

7) That the parties agreed to waive all their claims and counter-claims arising from this case; and

8) That the parties agreed to request this Honorable Court that a decision be issued base [sic] on this Compromise Agreement or this Compromise Agreement be submitted before this Honorable Court for approval.¹²

On April 10, 2003, the Regional Trial Court approved the compromise agreement.¹³ Based on the entry of judgment, the case became final and executory on April 10, 2003.¹⁴

Nestor Gadrinab filed a motion for execution of the compromise agreement.¹⁵ He demanded his one-fourth share in the accumulated rentals.¹⁶ During the hearing on the motion for execution, the parties agreed that the rentals shall be divided only into three since Nestor had already been occupying one of the duplex units.¹⁷ The parties also agreed that Antonio Talao would shoulder Nestor's share, equivalent to one-fourth of the rental amount.¹⁸

Pursuant to the compromise agreement, Cuervo Appraiser appraised the property.¹⁹ Unsatisfied with the appraisal, Antonio Talao moved for the property's reappraisal.²⁰ This was denied by the Regional Trial Court.²¹

The portion of the duplex that Nestor refused to vacate,²² remained

¹² Id. at 33–34. The text of the compromise agreement reproduced above is based on the Court of Appeals' decision.

¹³ Id. at 34.

¹⁴ Id.

¹⁵ Id.

¹⁶ Id.

¹⁷ Id.

¹⁸ Id. at 34–35.

¹⁹ Id. at 35.

²⁰ Id.

²¹ Id.

²² Id.

unsold.²³

Because of the attitude of her co-heirs, respondent Salamanca moved for the physical partition of the property before the Regional Trial Court of Manila.²⁴ She prayed for the physical partition of the property instead of having it sold.²⁵

Nestor and Francisco Gadrinab opposed the motion.²⁶ They contended that the judgment on the compromise agreement had already become final and executory and had the effect of *res judicata*.²⁷ Antonio Talao and Jose Lopez did not object to the motion for physical partition.²⁸

On December 29, 2005, the Regional Trial Court of Manila granted the motion for physical partition.²⁹

Nestor and Francisco Gadrinab appealed to the Court of Appeals. They assailed the grant of Salamanca's motion for physical partition after the issuance of the judgment on compromise agreement.³⁰

In a decision promulgated on July 22, 2010,³¹ the Court of Appeals dismissed the appeal. The Court of Appeals ruled that the exception to the immutability of judgments, that is, "whenever circumstances transpire after the finality of the decision rendering its execution unjust and inequitable,"³² applies in this case. The Court of Appeals specifically noted that the "parties' seemingly endless disagreements on matters involving the disposition of the subject property"³³ were such circumstances that rendered the compromise agreement's execution unjust and inequitable. The Court of Appeals agreed with the Regional Trial Court's ruling that "the proposed physical partition of the subject lot . . . is just another way of enforcing the [c]ourt's decision and will not in anyway vary the parties' agreement nor affect their right over the property."³⁴

On November 19, 2010, the Court of Appeals denied petitioner's motion for reconsideration.³⁵

²³ Id.

²⁴ Id.

²⁵ Id.

²⁶ Id.

²⁷ Id. at 35–36.

²⁸ Id. at 36.

²⁹ Id. at 37.

³⁰ Id. at 37–38.

³¹ Id. at 31–42.

³² Id. at 39.

³³ Id.

³⁴ Id. at 40.

³⁵ Id. at 43–45.

Hence, this petition was filed.

Petitioner argued that the Court of Appeals erred in affirming the Regional Trial Court's order granting respondent Salamanca's motion for physical partition.³⁶ A judgment on the compromise agreement had already been rendered and had attained finality.³⁷ Petitioner also argued that the Court of Appeals failed to consider the following terms of the compromise agreement:

2. That the subject property will be appraised by independent appraiser and the appraised value will be divided into four (4). Mr. Antonio Talao will pay in advance the share of Francisco Gadrinab immediately after the report of the said appraisal;

....

4. That the rental collection in its total amount of FIVE HUNDRED TWENTY EIGHT THOUSAND SIX HUNDRED TWENTY THREE PESOS (Php528,623.00) and the uncollected amount up to February 2003 once collected [sic] will be divided among the parties;

5. That the amount of FIVE HUNDRED TWENTY EIGHT THOUSAND SIX HUNDRED TWENTY THREE PESOS Php528,623.00 divided by four (4) among the parties will be given to all parties on or [sic] March 12, 2003 by Mr. Antonio Talao at Greenbelt, Mc Donald at 9:00 o'clock in the morning;

6. That upon payment of the appraised value to Mr. Francisco Gadrinab, Mr. Nestor Gadrinab is given forty five (45) days within which to leave the premises in question[.]³⁸ (Emphasis in the original)

Petitioner alleged that the judgment on the compromise agreement had already been partially complied with, as respondent Salamanca had already been paid her share in the accrued rentals.³⁹ On the other hand, petitioner still had not been paid his share,⁴⁰ prompting him to file the motion for execution.⁴¹

Petitioner pointed out that there was no agreement that he must vacate the property before it could be sold.⁴²

Moreover, petitioner argued that the Court of Appeals' decision violated his right to due process.⁴³ According to him, had there been a full-

³⁶ Id. at 15–16.

³⁷ Id.

³⁸ Id. at 19–20.

³⁹ Id.

⁴⁰ Id. at 20.

⁴¹ Id.

⁴² Id.

⁴³ Id. at 23.

blown trial on the action for partition, he would have been able to present evidence of exclusive possession of half of the property.⁴⁴

In their separate comments, respondents Salamanca and Talao argued that this case fell under the exception of the rule on immutability of judgments.⁴⁵ The non-compliance of some of the parties with the compromise agreement constituted an event that “[makes] it difficult if not totally impossible to enforce the compromise agreement.”⁴⁶

Respondents Salamanca and Talao also argued that the physical partition of the property would not prejudice the parties.⁴⁷ The order granting the motion for physical partition was a mere enforcement of the compromise agreement, which entitled the parties to their shares in the proceeds of the sale.⁴⁸ Respondent Salamanca pointed out that the grant of the motion for physical partition would still be consistent with the intent of the compromise agreement since it would result in the proceeds being divided equally among the parties.⁴⁹ “The Order granting the physical partition was within the inherent power and authority of the court having jurisdiction to render a particular judgment to enforce it and to exercise equitable control over such enforcement.”⁵⁰

Moreover, petitioner’s refusal to vacate the property prevented it from being sold so that the proceeds could already be distributed among the parties.⁵¹

On the violation of due process, respondents Salamanca and Talao argued that it was only before this court that this issue was raised.

The issue in this case is whether the Court of Appeals erred in affirming the Regional Trial Court’s decision allowing the physical partition of the property despite finality of a previous judgment on compromise agreement involving the division of the same property.

The petition is meritorious.

The Court of Appeals erred in affirming the Regional Trial Court’s decision allowing the

⁴⁴ Id. at 23–24.

⁴⁵ Id. at 72 and 109.

⁴⁶ Id. at 75.

⁴⁷ Id. at 76 and 108.

⁴⁸ Id. at 108.

⁴⁹ Id. at 75.

⁵⁰ Id. at 76.

⁵¹ Id. at 109.

physical partition of the property

Respondent Salamanca filed two actions for physical partition. The two parties settled the first action through a judicial compromise agreement. The same respondent filed the second action after she had determined that her co-heirs were not being cooperative in complying with the compromise agreement.

In a compromise agreement, the parties freely enter into stipulations. “[A] judgment based on a compromise agreement is a judgment on the merits”⁵² of the case. It has the effect of *res judicata*. These principles are impressed both in our law and jurisprudence.

Thus, Article 2037 of the Civil Code provides:

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.

In *Spouses Romero v. Tan*,⁵³ this court said:

It is well settled that a judicial compromise has the effect of *res judicata* and is immediately executory and not appealable unless set aside [by mistake, fraud, violence, intimidation, undue influence, or falsity of documents that vitiated the compromise agreement].⁵⁴

There is *res judicata* when the following concur:

1. Previous final judgment;
2. By a court having jurisdiction over the parties and the subject matter;
3. On the merits of the case;
4. Between identical parties, on the same subject matter, and cause of action⁵⁵

There are two rules that embody the principle of *res judicata*. The first rule refers to “bar by prior judgment,”⁵⁶ which means that actions on the

⁵² *Spouses Romero v. Tan*, 468 Phil. 224, 240 (2004) [Per J. Quisumbing, Second Division].

⁵³ 468 Phil. 224 (2004) [Per J. Quisumbing, Second Division].

⁵⁴ Id. at 240; *See also Aromin v. Floresca*, 528 Phil. 1165, 1186 (2006) [Per J. Callejo, Sr., First Division].

⁵⁵ *See Heirs of Enrique Diaz v. Virata*, 529 Phil. 799, 823-824 (2006) [Per J. Chico-Nazario, First Division].

⁵⁶ *See also Facura v. Court of Appeals*, G.R. No. 166495, February 16, 2011, 643 SCRA 427, 458–460 [Per J. Mendoza, Second Division].

same claim or cause of action cannot be relitigated.⁵⁷ This rule is embodied in Rule 39, Section 47, paragraph (b) of the Rules of Court, which provides:

Section 47. *Effect of judgments or final orders.* — The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity[.]

The second rule refers to “conclusiveness of judgment.”⁵⁸ This means that facts already tried and determined in another action involving a different claim or cause of action cannot anymore be relitigated.⁵⁹ This rule is embodied in Rule 39, Section 47, paragraph (c) of the Rules of Court, which provides:

Section 47. *Effect of judgments or final orders.* — The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

....

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto. (49a)

This case involves “bar by prior judgment.” Respondents cannot file another action for partition after final judgment on compromise had already been rendered in a previous action for partition involving the same parties and property.

This court explained in *FGU Insurance Corporation v. Regional Trial Court*⁶⁰ the doctrine of finality of judgment:

⁵⁷ See also *Facura v. Court of Appeals*, G.R. No. 166495, February 16, 2011, 643 SCRA 427, 458–460 [Per J. Mendoza, Second Division].

⁵⁸ See also *Facura v. Court of Appeals*, G.R. No. 166495, February 16, 2011, 643 SCRA 427, 458–460 [Per J. Mendoza, Second Division].

⁵⁹ See also *Facura v. Court of Appeals*, G.R. No. 166495, February 16, 2011, 643 SCRA 427, 458–460 [Per J. Mendoza, Second Division].

⁶⁰ G.R. No. 161282, February 23, 2011, 644 SCRA 50 [Per J. Mendoza, Second Division].

Under the doctrine of finality of judgment or immutability of judgment, a decision that has acquired finality becomes immutable and unalterable, and may no longer 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. Any act which violates this principle must immediately be struck down.⁶¹

This doctrine admits a few exceptions, usually applied to serve substantial justice:

1. “The correction of clerical errors;
2. the so-called nunc pro tunc entries which cause no prejudice to any party;
3. void judgments; and
4. whenever circumstances transpire after the finality of the decision rendering its execution unjust and inequitable.”⁶²

Doctrines on bar by prior judgment and immutability of judgment apply whether judgment is rendered after a full-blown trial or after the parties voluntarily execute a compromise agreement duly approved by the court.

Because a judicial compromise agreement is in the nature of both an agreement between the parties and a judgment on the merits, it is covered by the Civil Code provisions on contracts. It can be avoided on grounds that may avoid an ordinary contract, *e.g.*, it is not in accord with the law;⁶³ lack of consent by a party; and existence of fraud or duress. Further, the pertinent Civil Code provisions on compromise agreements provide:

Article 2038. A compromise in which there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents is subject to the provisions of Article 1330 of this Code.

Article 1330. A contract where consent is given through mistake, violence, intimidation, undue influence, or fraud is voidable.

Therefore, courts cannot entertain actions involving the same cause of action, parties, and subject matter without violating the doctrines on bar by prior judgment and immutability of judgments, unless there is evidence that the agreement was void, obtained through fraud, mistake or any vice of consent, or would disrupt substantial justice.

In this case, there was no issue as to the fact that the parties freely

⁶¹ Id. at 56.

⁶² Id.

⁶³ See *Guiang v. Kintanar*, 193 Phil. 251, 288–289 (1981) [Per J. Barredo, Second Division].

entered into the compromise agreement. There was also no dispute about the clarity of its terms. Some of the parties simply do not wish to abide by the compromise agreement's terms.

This court does not see how substantial justice will be served by disturbing a previous final judgment on compromise when failure of its execution was caused by the parties themselves.

Likewise, respondents' argument that a supervening event, i.e. disagreement among the parties, was present to justify disturbance of the final judgment on compromise fails to persuade. A supervening event may justify the disturbance of a final judgment on compromise if it "brought about a material change in [the] situation"⁶⁴ between the parties. The material change contemplated must render the execution of the final judgment unjust and inequitable. Otherwise, a party to the compromise agreement has a "right to have the compromise agreement executed, according to its terms."⁶⁵

The subsequent disagreement among the parties did not cause any material change in the situation or in the relations among the parties. The situation and relations among the parties remained the same as the situation and their relations prior to the compromise agreement. They remained co-owners of the property, which they desired to partition.

Moreover, the parties voluntarily agreed to the compromise agreement, which was already stamped with judicial approval. The agreement's execution would bring about the effects desired by all parties and the most just and equitable situation for all. On the other hand, the judgment granting the second action for partition filed by respondent Salamanca was obtained with opposition.

Judges "have the ministerial and mandatory duty to implement and enforce [a compromise agreement]."⁶⁶ Absent appeal or motion to set aside the judgment, courts cannot modify, impose terms different from the terms of a compromise agreement, or set aside the compromises and reciprocal concessions made in good faith by the parties without gravely abusing their discretion.⁶⁷

⁶⁴ See *Cachopero v. Celestial*, G.R. No. 146754, March 21, 2012, 668 SCRA 619, 635 [Per J. Leonardo-De Castro, First Division].

⁶⁵ *Cachopero v. Celestial*, G.R. No. 146754, March 21, 2012, 668 SCRA 619, 635 [Per J. Leonardo-De Castro, First Division].

⁶⁶ Id. at 632, citing *Philippine National Oil Company-Energy Development Corporation (PNOC-EDC) v. Abella*, 489 Phil. 515 (2005) [Per J. Chico-Nazario, Second Division].

⁶⁷ See *Viesca v. Gilinsky*, 553 Phil. 498, 522–523 (2007) [Per J. Chico-Nazario, Third Division]; *Domingo Realty v. Court of Appeals*, 542 Phil. 39, 65–66 (2007) [Per J. Velasco, Jr., Second Division]; *Aromin v. Floresca*, 528 Phil. 1165, 1190 (2006) [Per J. Callejo, Sr., First Division].

“[They cannot] relieve parties from [their] obligations . . . simply because [the agreements are] . . . unwise.”⁶⁸ Further, “[t]he mere fact that the Compromise Agreement favors one party does not render it invalid.”⁶⁹ Courts do not have power to “alter contracts in order to save [one party] from [the effects of] adverse stipulations. . . .”⁷⁰

Respondents have remedies if parties to the compromise agreement refuse to abide by its terms

The issue in this case involves the non-compliance of some of the parties with the terms of the compromise agreement. The law affords complying parties with remedies in case one of the parties to an agreement fails to abide by its terms.

A party may file a motion for execution of judgment. Execution is a matter of right on final judgments. Section 1, Rule 39 of the Rules of Court provides:

Section 1. Execution upon judgments or final orders. — Execution shall issue as a matter of right, on motion, upon a judgment or order that disposes of the action or proceeding upon the expiration of the period to appeal therefrom if no appeal has been duly perfected. (1a)

If the appeal has been duly perfected and finally resolved, the execution may forthwith be applied for in the court of origin, on motion of the judgment obligee, submitting therewith certified true copies of the judgment or judgments or final order or orders sought to be enforced and of the entry thereof, with notice to the adverse party.

The appellate court may, on motion in the same case, when the interest of justice so requires, direct the court of origin to issue the writ of execution. (n)

If a party refuses to comply with the terms of the judgment or resists the enforcement of a lawful writ issued, an action for indirect contempt may be filed in accordance with Rule 71 of the Rules of Court:

⁶⁸ *Cachopero v. Celestial*, G.R. No. 146754, March 21, 2012, 668 SCRA 619, 632 [Per J. Leonardo-De Castro, First Division], citing *Air Transportation Office v. Gopuco, Jr.*, 501 Phil. 228, 239 (2005) [Per J. Chico-Nazario, Second Division].

⁶⁹ *Domingo Realty v. Court of Appeals*, 542 Phil. 39, 66 (2007) [Per J. Velasco, Jr., Second Division].

⁷⁰ *Id.*

Section 3. *Indirect contempt to be punished after charge and hearing.* — After a charge in writing has been filed, and an opportunity given to the respondent to comment thereon within such period as may be fixed by the court and to be heard by himself or counsel, a person guilty of any of the following acts may be punished for indirect contempt;

.....

(b) Disobedience of or resistance to a lawful writ, process, order, or judgment of a court, including the act of a person who, after being dispossessed or ejected from any real property by the judgment or process of any court of competent jurisdiction, enters or attempts or induces another to enter into or upon such real property, for the purpose of executing acts of ownership or possession, or in any manner disturbs the possession given to the person adjudged to be entitled thereto[.]

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.⁷¹

Respondent Salamanca knew that the only reason for the failed compromise agreement was the non-compliance with the agreement's terms of some of her co-heirs. Particularly, it was stipulated that petitioner's removal from the property was conditioned upon payment of an amount equivalent to his share. Respondent Talao refused to abide by his own undertaking to shoulder respondent Salamanca's share. He also refused to acknowledge the appraisal of the appraiser appointed in the compromise agreement. This refusal caused the failure of the compromise agreement.

Instead of availing herself of the proper remedies so the compromise could be enforced and the partition could be effected, respondent Salamanca chose to move again for the partition of the property and set aside a valid and final judgment on compromise. This court cannot allow such motion to prosper without going against law and established jurisprudence on judgments.

WHEREFORE, the Court of Appeals' decision is **REVERSED** and **SET ASIDE.** The judgment on the compromise agreement is **REINSTATED.**

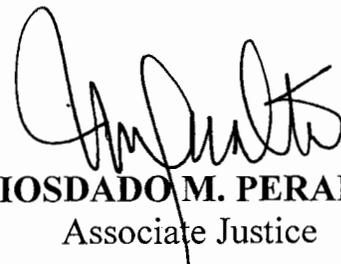
⁷¹ See also *Domingo Realty v. Court of Appeals*, 542 Phil. 39, 55-56 (2007) [Per J. Velasco, Jr., Second Division].

SO ORDERED.


MARVIC MARIO VICTOR F. LEONEN
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

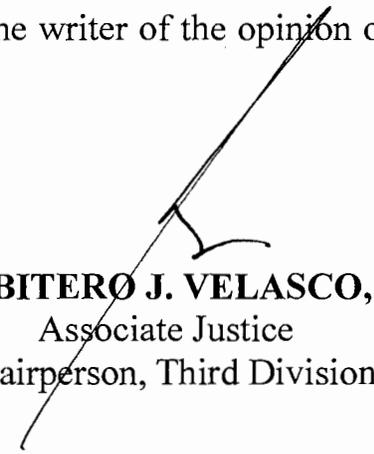

DIOSDADO M. PERALTA
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


JOSE CATRAL MENDOZA
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.


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

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.



MARIA LOURDES P. A. SERENO
Chief Justice