Title: Leticia Diona vs. Sonny A. Balangue, et al.

Facts:

On March 2, 1991, the respondents obtained a P45,000.00 loan from the petitioner, secured by real estate mortgage, which they failed to repay upon maturity. Consequently, the petitioner initiated a complaint at the Regional Trial Court (RTC) of Valenzuela, Branch 75, seeking repayment with 12% per annum interest, damages, attorney's fees, and foreclosure of the mortgaged property in case of non-payment. The respondents, after failing to submit their answer despite an extension, were declared in default, and the case proceeded ex parte.

The initial RTC decision awarded a 5% monthly interest — a rate not stipulated in the complaint or mortgage agreement and significantly higher than the 12% per annum initially sought by the petitioner. After execution processes began, the respondents contested the decision, which led to an RTC order reducing the interest rate to 12% per annum. The petitioner challenged this modification through a Rule 65 petition to the Court of Appeals (CA), which found the RTC's original imposition of the 5% monthly interest excessive but declared the subsequent reduction to 12% per annum as also done with grave abuse of discretion. The respondents then sought annulment of the judgment related to the interest rate and auction sale, which the CA eventually granted, mandating re-computation at 12% per annum.

Issues:

1. The validity of granting relief not sought by the petitioner (5% monthly interest) and its compatibility with due process and the Rules of Court.
2. The legitimacy of annulling a final judgment based on the principle of lack of due process.
3. Whether negligence by counsel can invalidate the procedural lapses leading to the finality of the judgment.

Court's Decision:

The Supreme Court denied the petition, affirming the CA's resolutions. It held that the imposition of the 5% monthly interest violated due process for being beyond what was sought in the complaint and unsupported by evidence or agreement. Thus, this portion of the judgment could be annulled despite the principle of immutability of judgment. The Court also identified gross negligence by the respondents' former counsel as a valid exception to the rule binding clients to their counsels' actions, particularly when such negligence leads to a substantial miscarriage of justice.

Doctrine:

The decision reaffirmed doctrines on the limits of relief that can be granted by courts, emphasizing that judgments must conform to the pleadings and evidence and cannot grant relief not explicitly sought by the parties, ensuring adherence to due process. It also highlighted the exception to the rule that binds clients to their counsels' actions, recognizing gross negligence by counsel as grounds for relief from a judgment.

Class Notes:

– **Rule on Relief Granted in Judgments**: Courts cannot grant relief not explicitly sought in the pleadings or beyond what the evidence supports. This principle upholds due process by ensuring parties have the opportunity to address all aspects relevant to the judgment.
– **Doctrine of Immutability of Judgment**: Once a judgment becomes final and executory, it generally cannot be altered. However, an exception exists for judgments rendered in violation of due process or those procured through fraud or lack of jurisdiction.
– **Negligence by Counsel**: The general rule binds clients to their counsel's actions. An exception exists for gross negligence resulting in deprivation of property or rights without due process, justifying relief through annulment of judgment.

Historical Background:

This case tests the boundaries of judicial discretion in granting reliefs not explicitly sought by parties, due process in default judgments, and the consequences of legal representation's failures. It underscores the evolving legal standards aimed at balancing finality in litigation with substantive justice, particularly in the context of financial transactions secured by real estate mortgages.