

****Title:**** Lino Domilos vs. Spouses John and Dorothea Pastor, and Joseph L. Pastor, G.R. No.

****Facts:****

In 1953, Victoriano Domilos acquired possession of a 15,745 square meter parcel of land along Santo Tomas Road in Baguio City. In February 1976, Victoriano transferred his rights over the property to his son, Lino Domilos. Shortly thereafter, Sergio Nabunat and his family returned to the property and built a house without consent, leading Lino to file a forcible entry complaint in the City Court of Baguio (Civil Case No. 5893). A decision favoring Lino was issued on November 17, 1977, which the Court of First Instance sustained in 1979, resulting in Nabunat's house demolition.

In 1986, a compromise agreement divided the property between Lino, Nabunat, Can-ay Palichang, and other parties. Lino and others then sold various portions of their shares between 1987 and 1989, including sales to the Pastor respondents. On May 9, 1989, Lino sought a 4th Alias Writ of Execution for the 1977 decision, resulting in some demolitions of property owned by the Pastor respondents. Consequently, the Pastors filed a suit before the RTC on June 26, 1989 (Civil Case No. 1784-R) against Lino and others, challenging the writ's validity and asserting property ownership.

The RTC ruled in favor of the Pastor respondents in 2006, which was affirmed by the Court of Appeals in 2013. Lino later petitioned for review with the Supreme Court.

****Issues:****

1. Whether the RTC and CA decisions are valid despite allegedly failing to cite law and jurisprudence in support.
2. Whether the compromise agreement can serve as a valid source of rights despite not being judicially approved.
3. Whether the courts failed to consider judicial admissions indicating that the Pastor respondents were buyers in bad faith.
4. Whether buyers in bad faith have a legal interest to maintain an action against the revocation of a compromise agreement.
5. Whether the CA properly applied Article 1131 of the Civil Code.

****Court's Decision:****

1. ****Validity of RTC and CA Decisions:****
 - The Supreme Court held that both the RTC and CA decisions were valid and complied with

Article VIII, Section 14 of the 1987 Constitution and Rule 36, Section 1 of the Rules of Court. Both decisions clearly and distinctly stated the facts and the applicable law.

2. **Compromise Agreement Validity:**

- The Court ruled that the compromise agreement, although not judicially approved, created real rights due to the principles of contract law under Articles 1312, 1315, and 1385 of the Civil Code. Consequently, third parties who possessed the property in good faith were bound by the agreement.

3. **Judicial Admissions on Bad Faith:**

- The Court found no merit in the argument that judicial admissions prove bad faith on the part of the Pastor respondents. The findings of the lower courts on their good faith were upheld as factual determinations.

4. **Legal Interest of Buyers in Bad Faith:**

- Since the Pastor respondents were deemed to have purchased the properties in good faith, they had legitimate interests in challenging the revocation of the compromise agreement and protecting their property rights.

5. **Application of Article 1131:**

- The Court agreed with the CA's application of statutes of limitation. Lino exceeded the permissible period both for enforcing the judgment via motion and by ordinary action, rendering the 4th Alias Writ of Execution invalid.

Doctrines:

- **Doctrine of Finality of Judgment:** A final judgment must be executed within five years via motion or within ten years by instituting a separate action.

- **Doctrine of Contracts Creating Real Rights:** Contracts that create real rights bind third parties who come into possession, provided they act in good faith.

- **Doctrine of Fact-Finding:** Factual findings by trial courts, especially those affirmed by appellate courts, are binding on the Supreme Court unless there is a clear oversight.

Class Notes:

- **Contracts and Real Rights (Articles 1312, 1315):** Contracts creating real rights are binding on third parties in possession.

- **Rescission and Bad Faith (Article 1385):** Rescission doesn't affect third parties acting in good faith.

- **Finality and Execution of Judgments:** Judgments must be executed via motion within

five years or via an ordinary action within ten years of finality.

- **Judicial Order Compliance (1987 Constitution, Rule 36, Section 1)**: Decisions must state facts and laws clearly but do not need to detail all evidence presented.

Historical Background:

- The case highlights the complexities and prolonged nature of land disputes in the Philippines, especially when multiple transfers and possessory rights are asserted over a period spanning decades. This case also illuminates the Philippine judicial system's procedural rigor in terms of enforcing judgments and the rights of parties derived from contracts.