

Title:

Baclayon et al. v. Heirs of Spouses Bacalso and Gregoria Sabandeja et al.: A Philippine Supreme Court Decision on Execution and Builders in Good Faith

Facts:

In May 1969, the Baclayon heirs filed a complaint in the Court of First Instance (CFI) of Cebu against the Bacalso spouses over the ownership and possession of Lot No. 5528. The Bacalsos answered the complaint in July 1969. After a series of hearings, on December 20, 1982, the trial court ruled in favor of the Bacalsos, acknowledging them as the rightful owners. The decision was appealed to the Court of Appeals by the petitioners, resulting in a reversal of the trial court's decision on July 29, 1986, declaring the Baclayons as the rightful owners.

The Bacalsos elevated the case to the Supreme Court, which, on May 27, 1987, upheld the appellate court's decision, making it final and executory. Subsequently, the Baclayons sought the execution of the judgment, which the Bacalsos opposed on the grounds that they were builders in good faith and entitled to reimbursement for the improvements they made on the lot as per Article 546 of the Civil Code.

On March 8, 1988, the RTC-Branch 15 in Cebu City, presided by Judge German G. Lee, Jr., ordered the execution of the judgment. The Bacalsos' appeal was dismissed on April 15, 1988. Despite further opposition and a petition for certiorari by the Bacalsos, on April 28, 1989, the Court of Appeals ruled that a hearing should be held to determine the value of the improvements made by the Bacalsos, essentially challenging the final and executory nature of the Supreme Court's decision.

Issues:

1. Should the private respondents be allowed, in a hearing supplementary to execution, to present evidence that they are builders in good faith and the value of their improvements?
2. Can a separate action be filed by the private respondents against the petitioners on the ground of being builders in good faith to recover the value of the improvements?

Court's Decision:

The Supreme Court ruled that allowing a hearing supplementary to execution for the private respondents to prove they are builders in good faith and determine the value of improvements would disturb the final and executory decision, contravening established legal principles. The Court emphasized that the defense of being builders in good faith

should have been raised during the trial or at least before the judgment became final.

Furthermore, the Supreme Court clarified that the failure to set up a compulsory counterclaim for the reimbursement of the value of the improvements during the trial precludes the private respondents from raising it in subsequent litigation. Therefore, the Supreme Court granted the petition, set aside the decision of the Court of Appeals, and reinstated the RTC's orders for the execution of the judgment.

Doctrine:

Once a decision has become final and executory, the trial court's jurisdiction is limited to its execution. Any supplementary hearings to disturb a final and executory decision, such as presenting new evidence or re-arguing defenses not raised during the trial, are contrary to the principles of finality of judgments. Furthermore, the failure to interpose a compulsory counterclaim bars it from being raised in subsequent litigation.

Class Notes:

- Finality of Judgment: Once a decision is final and executory, its execution becomes a ministerial duty and cannot be disturbed except for reasons that transpired after the judgment became final.
- Builders in Good Faith: Parties claiming to be builders in good faith must present their evidence during the trial or at least before the judgment becomes final. Failure to do so bars them from subsequently asserting such rights.
- Compulsory Counterclaim: Not raising a compulsory counterclaim during the trial precludes it from being argued in any subsequent litigation, emphasizing the principle against multiplicity of suits.

Historical Background:

This case underscores the procedural intricacies involved in the Philippine legal system, particularly concerning property disputes, the finality of judgments, and the implications of failing to present all defenses and counterclaims during the trial stage. It highlights the balance between the substantive rights of parties and the procedural safeguards designed to ensure the efficient and fair resolution of disputes.