

REPUBLIC OF THE PHILIPPINES (REPRESENTED BY THE LAND AUTHORITY), PETITIONER VS. HON. NUMERIANO G. ESTENZO, JUDGE OF THE COURT OF FIRST INSTANCE OF LEYTE; SPOUSES CARLOTA M. DE E...

G.R. No. L-24656. September 25, 1968

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

Petition for certiorari and prohibition with preliminary injunction filed by the Republic to nullify three related orders of the Court of First Instance of Leyte, in its Civil Case No. 518-O, and to restrain, in the meantime, enforcement of a writ of execution issued in connection thereto.

The germinal facts that gave rise to this case are as follows:

On 11 November 1961, the Land Tenure Administration, representing the Republic, initiated and prosecuted expropriation proceedings in the Court of First Instance of Leyte for the acquisition of some 591.0654 hectares of private agricultural lands situated in San Isidro, Leyte, and owned by respondents Espeletas, Martinezes and Pachecos, for resale to tenants, pursuant to Republic Act No. 1400.

On 14 June 1962, the lower court rendered a decision condemning the said land for P411,995.78[1] The Republic, having already paid the partial sum of P206,850.00, was, accordingly, ordered to pay the balance of P205,145.78, plus the further sum of P20,000.00 for a farmhouse, copra drier and warehouses, or a total of P225,145.78. This was supplemented by an amendatory order providing for payment of 6% per annum interest starting 14 June 1962 on the unpaid balance. Implementing orders, the last of which was dated 28 July 1962, were thereafter successively issued.

Dissenting, the Republic commenced an appeal, only to withdraw the same upon reaching a compromise agreement with respondents—landowners reducing the price of the land to P350,000.00. Minus the sum of P206,850.00 which had already been paid, as previously mentioned, the Republic undertook to pay the balance of P143,150.00 "as soon as practically possible" without any interest. Said compromise agreement was approved and adopted by the lower court as its amended decision of 24 August 1962.

Came 12 April 1963 and the balance of P143,150.00 still remained unpaid despite an order directing payment thereof. Respondents-landowners then filed a motion in the lower court imploring the latter to (1) annul its amended decision of 24 August 1962 on the ground that its basis — the compromise agreement — was secured through fraud;[2] (2) resuscitate its original decision of 14 June 1962.

On 26 April 1963, despite protestations of the Republic's good faith as well as of the finality of the amended decision, the lower court issued an order nullifying the said amended decision for the reason that "the compromise agreement was entered into by the (Republic) to defraud the landowners and to unduly delay payment of the amount due", and at the same time declaring as "valid, effective and binding upon the parties" its original

decision of 14 June 1962. Writ of execution was issued the following day.

The Republic forthwith went to the Supreme Court on a petition for certiorari and prohibition with preliminary mandatory injunction.[3] Before the Supreme Court could rule on the petition, however, the parties entered anew into another compromise agreement. The Republic, now represented by the Land Authority (that succeeded to the former Land Tenure Administration by Republic Act No. 3844), covenanted to satisfy on or before 31 August 1964 the balance of P143,150.00 plus 6% per annum interest from 24 August 1962. Respondents-landowners, for their part, agreed to renounce "any and all further claims against the former (petitioner) which had been recognized and ordered paid" by the lower court in its order of 26 April 1963 "in the event (of) full payment of said compromise price on or before said date", i.e., 31 August 1964. The Supreme Court, on 5 August 1964, approved the amicable settlement submitted by the parties and, as prayed for, dismissed the petition.

The Republic failed again to pay its obligation in full as per agreement. Out of P143,150.00, it was able to pay, as of 31 August 1964, P85,260.65 on the principal and P17,010.98 on the interest, or a total of P102,271.63 only.[4] This precipitated the filing of respondents-landowners' motion, dated 10 November 1964, in the lower court praying for issuance of an order directing the Sheriff of the City of Manila to enforce the writ of execution of 28 July 1962.[5]

To the afore-said motion, the Republic interposed an opposition premised on two grounds, to wit:

"I. That (the Court of First Instance of Leyte) was divested of its jurisdiction to entertain and resolve defendants' 'Motion for Issuance of Order Directing Execution of Judgment' dated November 10, 1964, since August 8, 1963, when Republic Act No. 3844 took effect, so that pursuant to Section 154 (3) (thereof), it is the Court of Agrarian Relations of the Twelfth Regional District, Branch II, sitting at Ormoc City (Sec. 142, R.A. 3844) that has jurisdiction to entertain and resolve defendants' instant motion; and

"II. That even admitting, for the sake of argument that.... (the Court of First Instance of Leyte) has jurisdiction to entertain and resolve defendants' instant motion (it is submitted) that the 'Writ of Execution Dated July 28, 1962' which the defendants' instant motion is seeking to enforce has legally lapsed; besides the fact that the Order of April 26, 1963, declaring as null and void and of no force and effect the final Amended decision of August 24, 1962, and declaring as valid the original decision dated June 14, 1962, has been issued without authority of law, with grave abuse of discretion and in excess of jurisdiction thus the aforesaid order of April 26, 1963, is also submitted to be void ab initio."

to which respondents-landowners riposted with the arguments (1) that Section 154(3)[6] of Republic Act No. 3844 is not applicable in this particular case because it presupposes unfinished proceedings in the Court of First Instance, i.e., judgment has not yet been rendered, whereas, the Court of First Instance of Leyte had already rendered a decision which has allegedly long become final and executory; and (2) that the Republic is estopped to question the validity of the order of 26 April 1963 inasmuch as it allowed the same to become also final and executory. Then "to aid" the lower court "in arriving at the figures representing the balance still due" them, respondents-landowners submitted a list prepared by the Budget Commission wherein an entry, among others, shows that the balance still remaining unpaid on the principal is P152,218.15 instead of P57,889.35.[7]

On 16 December 1964, the lower court ordered the issuance of a writ of execution[8] for payment of P154,894.22 - P152,218.15[9] on the principal and P2,676.07 on the interest—with interest on the principal at the rate of P24.55 daily from 30 November 1964. And, accordingly, the Sheriff of the City of Manila garnished the sum of P156,793.63 out of the funds of the Land Authority deposited in the Philippine National Bank.

The Republic moved for reconsideration of the lower court's order alleging, in addition to the two arguments previously raised in its opposition to respondents-landowners' motion of 10 November 1964, that the garnishment

of the funds of the Land Authority violates Sections 14 and 21[10] of Republic Act No. 992, otherwise known as the Revised Budget Act, because the money garnished was appropriated by Congress "for the operation and maintenance of the nineteen (19) Settlement Projects and twelve (12) Agencies under the administration of . . . (the) Authority, pursuant to the provision of R.A. 3844, (and) to cover salaries of personnel, travelling, supplies and materials and other administrative expenses", and are, therefore, not funds for the payment of expropriated estates. This was opposed by respondents-landowners who argued that Sections 14 and 21 of Republic Act No. 992 "refer to voluntary expenditure and/or payment by the government official charged with custody of such funds but are not applicable to forcible seizure through garnishment pursuant to a writ of execution", as in the case at bar.

Holding that its order of 26 of April 1963[11] is "valid, binding and enforceable" against the Republic, and that it has jurisdiction to order the execution of its original decision of 14 June 1962, the lower court ordered, on 23 April 1965, the issuance of an alias writ of execution for payment of P157,951.70 — P151,218.15 on the principal and P5,733.55 on the interest — with the same interest on the principal at the rate of P24.55 daily from 31 March 1965.

Hence, this present petition for certiorari and prohibition with preliminary injunction[12] filed by the Republic to (1) nullify the lower court's orders of 26 April 1963, 16 December 1964,[13] and 23 April 1965 for "having been issued without authority of law, with grave abuse of discretion and in excess of jurisdiction" ;(2) restrain the lower court and the City Sheriffs of Manila and Quezon City from carrying into effect the writ of execution issued pursuant to the lower court's latest order of 23 April 1965; and (3) declare as valid and final judgment the amended decision of 24 August 1962.

On 30 June 1965, this Court resolved to grant the writ of preliminary injunction and also required the respondents to answer the instant petition.

Respondents-landowners, accordingly, filed their answer advancing four affirmative defenses: (1) res judicata;[14] (2) estoppel;[15] (3) validity of the lower court's order of 26 April 1963; and (4) availability to the petitioner of other adequate remedy, by appeal or petition for relief.

The issue before the Supreme Court is whether the lower court acted without or in excess of its jurisdiction, or with grave abuse of discretion, in issuing the orders of 26 April 1963, 16 December 1964, and 23 April 1965.

The first plea of herein petitioner, that the Court of First Instance of Leyte lacked jurisdiction to act in the case because of Section 154 (3) of the Land Reform Code (Republic Act No. 3844), enacted on 8 August 1963, is plainly without merit. Said Section 154 (3) provides that—

"Expropriation proceedings instituted by the Land Tenure Administration pending in the Court of First Instance at the time of the effectivity of this Code shall be transferred and continued in the respective Courts of Agrarian Relations"

But the expropriation case, No. 518-O of the Court below, was not pending when the Land Reform Code became effective: it had been decided on 14 June 1962, and first compromised as of 24 August 1962, almost one year before the effectivity of the Land Reform Code (Republic Act No. 3844). Hence, its Section 154 is inapplicable to the action at bar.

Coming now to the merits of the case before us. It is to be noted that the compromise actually binding upon the parties was the second one, approved by this Court on 5 August 1964, as a result of which Case G.R. No. L-21530 was dismissed. This compromise superseded all agreements and proceedings that had previously , taken place and was the final and definitive settlement of the controversies by and between the parties. From the time it was

entered into it became the source of their rights and obligations, the purpose of a compromise being precisely to replace and terminate the controverted claims (Civil Code, Article 2028). As entered into, that settlement had the force of *res judicata* as to them, and was enforceable by execution upon approval by the court (Do., Article 2037).

It thus follows that thereafter all resort to the original decision of 14 June 1962, and its amendment of 28 July 1962, or to the order of 26 April 1963, or to the first compromise of 24 August 1962, was improper, since all such orders and decisions had been nullified and superseded by the second compromise approved by this Court on 5 August 1964, whereby the Republic undertook to pay the balance of the expropriation price with interest on or before 31 August 1964 (*v. ante*). Whatever writ of execution could be issued by the respondent judge must necessarily be predicated on the second compromise, and conform to the terms thereof.

Stress is laid by respondents upon the fact that in the compromise of 24 July 1964, approved by this Court on 7 August of the same year, it is stipulated that:

"(2) in the event full payment of said compromise price is effected on or before said date the latter (respondents) waive (s) and renounce (s) any and all further claims against the former (petitioner) which had been recognized and ordered paid by the respondent Hon. Judge Numeriano C. Estenzo, in his order dated April 26, 1963 in Special Civil Action No. 518-O of the Court of First Instance of Leyte (Ormoc City Branch)".

and that it is undeniable that the petitioner Republic had not made full payment of P143,150.00, plus legal interest from 24 August 1962, on or before 31 August 1964. Such default, however, only entitled respondents, to demand execution on the basis of the compromise approved by this Court.

Assuming, *ad arguendo*, that the non-payment in full of the expropriation price on the promised date operated as a resolutive condition that annulled the 1964 compromise, still that would not validate the lower court's contested order to issue execution on the basis of its resolution of 25 April 1963, reinstating the original decision of 14 June 1962. In the first place, the order of 1963 never acquired finality: it was the subject of a *certiorari*; and while such petition was dismissed, it was only due to this Court's approval of the second compromise of August, 1964 that settled the whole case and superseded all previous proceedings. In the second place, the order of 25 April 1963 was clearly issued without jurisdiction, since the record shows that more than the six (6) months fixed by Rule 38 had elapsed between the amended judgment of 24 August 1962, approving the original compromise, and the landowners' motion of 12 April 1963, seeking the annulment of said amended judgment, on the ground that respondents' consent had been obtained by fraud.

By its very nature, the 1962 judgment, being based upon a compromise, was final and immediately executory.[16] For this reason, prescription tolls not from the date of its entry but from the date of its rendition.[17] Necessarily, to have it set aside under Rule 38, the petition for relief must be filed not later than six months from the date it was rendered.[18] If filed after the six-month period (which is, by the way, non-extendible and is never interrupted[19]), the court loses control of the cause, and the annulment, if ever done, is clearly in excess of its jurisdiction.[20]

The lower court was, therefore, already divested of its control over the cause when the motion of 12 April 1963 was filed; corollarily, it was already shorn of its jurisdiction when its controversial order of 26 April 1963 was issued pursuant thereto, ordering payment of the original award made in 14 June 1962. All that the lower court could do under the circumstances was to enforce the amended decision of 24 August 1962. Instead of a motion for relief under Rule 38 of the Rules of Court, the proper move for respondents-landowners would have been to file a separate and independent civil action to set aside, by annulment or rescission, both the first compromise agreement and the amended decision bodying the same.

The preceding consideration leave this Court with no alternative but to consider the orders for execution and garnishment herein complained of as issued without jurisdiction by the court a quo and, therefore, null and void, the compromise of either 1962 or 1964 remaining binding on the parties thereto. We find no estoppel as claimed in the absence of showing that the acts pointed out by appellants-landowners were relied upon by them to their prejudice. As to the availability of other remedy, suffice it to point out that the issuance and service of the garnishment rendered ordinary appeal nugatory and inadequate.

But the respondents' wrong choice of remedies should not blind anyone to the revolting injustice and shocking abuse of power to which the respondents-landowners have been subjected. Not only have they been compelled to give up their lands since 1961, but for seven long years they have been deprived of just compensation therefor and practically coerced to beg for what is justly due them. Not only this: twice, in 1962 and in 1964, the Land Tenure authorities, in representation of the Republic, have solemnly promised in court to pay compensation on specific dates, and twice they have welshed on their promises without giving any satisfactory explanation. Such immoral behavior, if not promptly corrected, may give rise to suspicion that either the expropriations were made for political effect without funds to pay their cost, or that satisfaction of just claims of private parties can not be had without persuasive expenditure. The attention of the proper authorities is called to this state of affairs in order that they be investigated and rectified without further delay.

The writs of certiorari and prohibition are granted, and the respondent Court of First Instance of Leyte restrained from further proceedings in its Civil Case No. 518-O. The Preliminary injunction heretofore issued is made permanent. No. Costs. Let a copy of this opinion be sent to the Honorable, the President of the Philippines, through the Secretary of Justice.

Concepcion, C.J., Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Angeles and Fernando, JJ., concur.

Writs granted.

[1] Ordered sequestered for school and church sites are 1.5 hectares of the land. So 588.5654 hectares at P700.00 per hectare equal; P411,995.78.

[2] Respondent-landowners charged that the compromise agreement is tainted with fraud because, according to them, the "would not have agreed to their reduction of the price fixed by the Court in its original decision of 14 June 1962, were it not for the stipulation that the LTA (Land Tenure Administration will pay as soon as possible."

[3] Docketed as G.R. No. L-21530. The petition was filed after the Republic's motion for reconsideration was denied.

[4] Details as follows:

AMOUNT TO BE PAID as per agreement P143,150.00

AMOUNT PAID as of 31 August 1964 (under

Treasury Warrant No. B-01—647,601:

On the PRINCIPAL

P85,260.65

On the INTEREST (6% per annum
on P143,150.00 from 24 August
1962 TO 15 August 1964) .

P17,010.98

TOTAL AMOUNT PAID 102,271.63

LESS amount paid on the principal P85.260.65

BALANCE 57.889.35

[5] This is one of a series of implementing orders issued by the lower court to enforce is original decision of 14 June 1962.

[6] "Sec. 154. Jurisdiction of the Court. — The Court shall have original and exclusive jurisdiction over:

...

...

...

"(3) Expropriation to be instituted by the Land Authority: Provided, however, That expropriation proceedings instituted by the Land Tenure Administration pending in the Court of First Instance at the time of the effectivity of this Code shall be transferred to and continued in the respective Court of Agrarian Relations within whose district the subject matter or property is located." (Italics supplied. Under Section 142 of the Act, the Court of Agrarian Relations, Twelfth Regional District, Branch II has jurisdiction over expropriation proceedings involving property situated in Leyte.

[7] See Note No. 4.

[8] In view of the transfer of the office of the Land Authority from Manila to Quezon City, the writ of execution was addressed to the Sheriffs of the two cities.

[9] The balance on the principal as of 30 November 1964, according to the list prepared by the Budget Commission, is P152,218.15. This is the difference between the original obligation of the Republic under the first decision of the lower court rendered on 14 June 1962 in the amount of P225,145.78 and a supposedly partial payment made on the principal in the amount of P72,957.63, a figure different from that claimed to have been paid by the Republic under Treasury Warrant No. B-01-647,601 (See Rollo, p. 51).

[10] "Section 14. Use of appropriated funds: — All moneys appropriated for the various functions, activities and projects in terms of expected results, shall be available solely for the specific purposes for which appropriated, and for no other.

...

...

...

"Sec. 21. Liability for illegal expenditures: — Every expenditure or obligations authorized or incurred in violation of the provisions of this Act or of the general and special provisions contained in the annual general or any other Appropriation Acts shall be void. Every payment made in violation of said provisions shall be illegal and every officer or employee authorizing or making such payment or taking part therein, and every person receiving such payment shall be jointly and severally liable to the Government for the full amount so paid or received."

[11] Order annulling the amended decision of 24 August 1962 and reviving the original decision of 14 June 1962.

[12] Filed on 18 June 1965. The petition merely reiterates the arguments previously raised in the lower court.

[13] Order for issuance of a writ of execution restoring in effect, the lower court's original decision of 14 June 1962.

[14] Respondents-landowners claim that the Supreme Court's resolution in the first petition for certiorari and prohibition with preliminary injunction (G.R. No. L-21530, see Note No. 3), allegedly recognizing and giving validity and effect to the lower court's original decision of 14 June 1962, is res judicata on the cause of action and issue presently raised in the instant petition because the same cause of action and issue had been previously proffered to and finally disposed of by the Supreme Court.

[15] Respondents-landowners also contend that the Republic is estopped from further questioning the validity of the lower court's original decision because the latter was party to the compromise agreement in the first petition for certiorari and prohibition with preliminary injunction (G.R. No. L-21530) which, in effect, allegedly set aside the amended decision of 24 August 1962, granting that the said amended decision was a valid one, and revived the original decision aforementioned. To the same effect, it is moreover pointed out, was the express or tacit recognition of the validity of the said original decision and its alleged effectiveness under the compromise agreement by: (1) the Acting Governor of the Land Authority, who addressed a letter to the Executive Secretary on 10, August 1964 urging "payment of the total sum pursuant to the new compromise agreement.... on or before the end of... (August, 1964) ... otherwise, the (original) decision (and).... order of 26 April 1963 (would) be enforced;" (2) The Assistant Executive Secretary, who approved on 11 March 1965 the payment of nine expropriated estates by authorizing, pursuant to order of the President, the release of PI ,475,578.75 (chargeable against the Bond Fund). P152.218.15 (see Note No. 9) of which was allegedly earmarked for payment of the balance on the principal of the obligation due the said respondents-landowners; (3) the budget Commissioner, who issued on 24 March 1965 an advice of Allotment (Advice No. 3-13) authorizing withdrawal of PI,482,032.50 from the Bond Fund, 52,218.15 of which was again allegedly allotted for payment of the balance on the principal of the obligation due the same respondents-landowners; (4) the National Accounting System, which passed of 24, March 1965 the Advice of Allotment aforementioned; and (5) the General Auditing Office, which certified on the same date the availability of funds.

[16] De los Reyes vs. Ugarte, 75 Phil. 505; Enriquez vs. Padilla, 77 Phil. 373; Bogiongan vs. Ceniza, et al. 102 Phil. 750.

[17] Direge vs. Biranja, G.R. No. L-22033, 30 July 1966, 17 SCRA 840.

[18] Bodiongan vs. Ceniza, supra.

[19] Palomares, et al. vs. Jimenez, et al., 90 Phil. 773; Rafanan vs. Rafanan, 98 Phil. 162; Gana vs. Abaya, supra.; Robles, et al. vs. San Jose, et al., 99 Phil. 658; Savatierra vs. Carlitos, et al., 103 Phil. 757; Smith-Bell and Co. vs. Philippine Milling Co., G.R. No. L-12827, 29 March 1960; Koppel vs. Magallanes. G.R. No. L-12644, 29 April 1960.

[20] Maneses vs. De la Rosa, et al., supra.; Pacific importer and Exporter Co. vs. Tinio, et al., supra.; Follosco vs. Director of Lands, et al., supra.; Gana vs. Abaya, supra.

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