

HEIRS OF JUAN DE GUZMAN AND ROSARIO CAPISTRANO, NAMELY, LEONARDA DE GUZMAN NICOLAS, JOSE DE GUZMAN, MARCELINA DE GUZMAN ROBERTO, EUGENIO DE GUZMAN, AQUILINO DE GUZMAN, HEIRS OF ...

Ponente: BALTAZAR-PADILLA, J.

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BALTAZAR-PADILLA, J.:

WE rule on this petition for certiorari under Rule 65 of the Revised Rules of Court which seeks to nullify the March 9, 2011 Order[1] of the Regional Trial Court (RTC) of Malolos, Bulacan, Branch 6, which denied petitioners' prayer to set aside the Compromise Agreement entered into by them and respondents in Civil Case No. SM-746 and the December 16, 2011 Order[2] denying the motion for reconsideration thereof.

The subject of this controversy is a residential lot located at Marungko, Angat, Bulacan registered under the name of petitioners' father, Juan De Guzman married to Rosario Capistrano (collectively referred to as Spouses De Guzman), with an area of seven hundred ninety seven (797) square meters and covered by Transfer Certificate of Title (TCT) No. T-184643[3], particularly described as follows:

“Lot No. 3964 of Santa Maria de Pandi Friar Lands Estate, Record No. 8503 of the Court of Land Registration; containing an area of FIFTEEN (15) ares and NINETY-FOUR (94) centares.”

On June 10, 1975, petitioners' predecessors-in-interest, Spouses De Guzman, as sellers, and respondents' predecessors-in-interest, Eleuterio Placido married to Leonora Ramos (collectively referred to as Spouses Placido), as buyers, entered into a contract of sale by installment embodied in a document denominated as “Kasunduan sa Pagbibilihan sa Paraang Hurnalan[4]” (Kasunduan for brevity). The said contract contained the following stipulations:

“1. One-half (½) of the above-described property consisting of Seven Hundred Ninety-Seven (797) sq. m. was the subject matter of the Sale by Installment.

2. The total consideration for the said sale is P21,000.00.

3. The amount of P3,500.00 represents the first payment and the balance shall be paid in the following monthly installment[s]:

- a. On June 10, 1976, the amount of P4,375.00;
- b. On June 10, 1977, the amount of P4,375.00;
- c. On June 10, 1978, the amount of P4,375.00;
- d. On June 10, 1979, the amount of P4,375.00;

4. The defendants took possession, control and ownership over the one-half (½) portion which was the subject matter of the contract on June 10, 1975;

5. Any of the party who violates or fails to comply with the terms and conditions of the contract shall be liable to the other party for damages in the amount of P3,000.00.”

Thereafter, for failure of Spouses Placido to pay their obligation under the above-cited Kasunduan, a complaint was lodged by Spouses De Guzman against them for “Rescission and Damages” docketed as Civil Case No. SM-746. Subsequently, a Compromise Agreement[5] was entered into by the parties, the pertinent portions of which state, viz:

“COME NOW, parties in the above-entitled case, assisted by their respective counsel, and to this Honorable Court, respectfully submit the following Compromise Agreement:

1. Defendants (Spouses Placido) admit all the allegation[s] in the Complaint and by way of Compromise, agree to pay jointly and severally plaintiffs (Spouses De Guzman), the following amounts setforth opposite their respective due date, to wit:

- a) P516.25 – June 10, 1978
- b) P4,375.00 – June 10, 1978
- c) P4,375.00 – June 10, 1979

2. Should defendants default in the payment of any of the above-mentioned installments on its due date, the rest of the installments shall become due and demandable, without demand therefor, and that immediate execution shall issue against defendants;

3. Parties agree that they will faithfully and religiously comply with the terms and conditions of this Compromise Agreement and that they withdraw and waive all other claims and counterclaims against each other.”

Acting on the Compromise Agreement, the RTC rendered its December 15, 1977 Decision[6] which adopted the aforementioned stipulations and approved the same. Spouses Placido failed to pay the last installment agreed upon in the Compromise Judgment in the amount of P4,375.00. Thus, Spouses De Guzman filed a Motion for Issuance of a Writ of Execution which the RTC granted in its Order dated August 6, 1979. A writ of execution[7] was issued the following day, August 7, 1979. Spouses Placido were ordered to pay the unpaid installment amounting to P4,375.00, attorney's fees of P2,000.00 and liquidated damages of P1,000.00.[8] However, it was only the purchase price which was fully paid. Consequently, the trial court granted petitioners' motion for execution with respect to the unpaid attorney's fees and liquidated damages.[9]

On October 2, 1979, the RTC of Bulacan issued an Order instructing the Deputy Sheriff to withhold the auction sale scheduled on October 8, 1979 since a Motion to Quash the Writ of Execution was filed by Spouses Placido. On October 25, 1979, the said RTC issued an Order to hold the auction sale in abeyance and instructed Spouses De Guzman to give Spouses Placido their written authorization for the latter to conduct the segregation survey of the subject property. On May 8, 1984, Spouses Placido filed a Motion for Annotation of Technical Description of Transfer Certificate of Title No. 184643 of the Registry of Deeds of Bulacan allegedly to facilitate the segregation of the subject property. On August 4, 1987, Spouses De Guzman filed an Ex-Parte Manifestation reiterating the issuance of a writ of execution for the payment of the last installment due, attorney's fees, liquidated damages and the additional amount of P6,335.50 representing expenses incurred in obtaining the separate title. The same was favorably acted upon by the RTC in an Order dated October 20, 1988.[10]

On January 30, 1989, as per the Motion to Substitute the deceased Spouses De Guzman, the said spouses were substituted by their children, herein petitioners. On October 27, 1989, both counsels for petitioners and respondents failed to appear. Hence, the court a quo issued an Order to archive the extant case on the ground of lack of interest of the parties to prosecute. On September 27, 1993, respondents filed a Motion to Revive. Consequently, the respective counsels of the parties entered their appearances. Spouses Placido who were already deceased were substituted by their children, herein respondents.[11]

On December 6, 2010, respondents instituted a Very Urgent Manifestation with Memorandum and To Adopt the

Decision/Execution and the Entire Proceedings of this case praying for the adoption of the Decision/Execution previously entered into by the parities. In reply, petitioners filed a Memorandum on December 9, 2010 with these claims, to wit: (1) to set aside the Compromise Agreement; (2) to rescind the Kasunduan; (3) to adjudge respondents liable to pay them the amounts of P200,000.00 as actual damages; P200,000.00 as moral damages; P50,000.00 as exemplary damages; P200,000.00 as attorney's fees; and the cost of suit.[12]

On March 9, 2011, the court a quo partially granted petitioners' prayers in the impugned Order, disposing as follows:

“WHEREFORE, considering the foregoing, the court hereby orders:

1. The prayers to set aside the Compromise Agreement dated September 30, 1977 and to rescind the “KASUNDUAN SA PAGBIBILIHAN SA PARAANG HURNALAN” dated June 10, 1975 are both DENIED;

2. Defendants (respondents herein) are ordered to comply with their obligation to pay the plaintiffs (petitioners herein), through the Branch Clerk of Court within sixty (60) days from receipt of this Order the amount of PhP6,335.00 representing the additional sum covering the expenses incurred in obtaining the separate title for the parcel of lot subject of this case with legal interest of twelve per cent (12%) per annum from October 20, 1988 pursuant to the Order of the Court issued on same date.

3. Defendants are hereby ordered to pay to the plaintiffs, through the Branch Clerk of Court, the following amounts within the same period:

(a) PhP50,000.00 as nominal damages

(b) PhP20,000.00 as just and reasonable attorney's fees.

4. The plaintiffs are hereby ordered to transfer the title to the defendants upon proof of full satisfaction of this order, likewise within the same sixty (60) days given period.

No pronouncement as to costs.

SO ORDERED.”

Petitioners filed a motion for reconsideration of the aforecited Order but the same was denied in the herein challenged Order dated December 16, 2011. The fallo of the pertinent Order provides:

“WHEREFORE, in the light of the foregoing, it is hereby ordered:

1. That the plaintiffs' Motion for Reconsideration be DENIED;

2. That the Order of this Court dated March 9, 2011 be AFFIRMED; and the parties are ordered to comply therewith, in toto.

SO ORDERED.”

Hence, petitioners are now before US via the present petition which is anchored on this lone issue, to wit:

RESPONDENT PRESIDING JUDGE GRAVELY ABUSED HIS DISCRETION IN REFUSING TO SET ASIDE THE COMPROMISE AGREEMENT DATED SEPTEMBER 30, 1977, RESCINDING THE “KASUNDUAN SA PAGBIBILIHAN SA PARAANG HURNALAN” DATED JUNE 10, 1975 AND IN DENYING THE PLAINTIFFS' MOTION FOR RECONSIDERATION.

Petitioners assert that the lower court gravely abused its discretion when it applied Article 1191 of the Civil Code by fixing a period for respondents to comply with their obligations under the Compromise Agreement. In effect, the court a quo modified its December 15, 1977 compromise judgment which is already final and executory. It is

not the province of the court to alter a contract by construction or to make a new contract for the parties; its duty is confined to the interpretation of the one which they have made for themselves, without regard to its wisdom or folly, as the court cannot supply material stipulations or read into contract words which it does not contain. The trial court should have relied on Article 2041 of the Civil Code which states that "if one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand." Unlike the former provision which applies to all kinds of obligations, the latter provision specifically pertains only to compromise agreements which states that the authority to choose to rescind a compromise agreement lies with the offended parties which are herein petitioners.[13]

Petitioners likewise insist that the trial court gravely abused its discretion when it ruled that they cannot set aside the compromise agreement since respondents have substantially complied with their obligation. Respondents did not actually pay the last installment due. It is unfair and unreasonable for the court to hold that there was substantial compliance despite the lapse of more than 25 years and no proof of payment was ever presented by respondents that they have completely fulfilled their obligation.[14]

Petitioners asseverate that the factors, conditions and stipulations contained in the Compromise Agreement have already ceased to exist in accordance with the principle of *rebus sic stantibus*. Under the said theory, the parties can stipulate in the light of certain prevailing conditions and once these conditions cease to exist, the contract also ceases to exist. After so many years, it is clear that the circumstances and conditions upon which petitioners and respondents have predicated the Compromise Agreement have already ceased to exist.[15]

In their Memorandum, respondents counter that the herein assailed Orders are already final and executory. Respondents should have filed an appeal which is the proper remedy from a judgment or final order of the trial court. The present petition for certiorari would not lie as it is not a substitute for a lost appeal. Even assuming that a petition for certiorari is the proper remedy, the same is likewise bereft of merit. Petitioners claim that they received the trial court's December 16, 2011 Order denying the motion for reconsideration of its March 9, 2011 Order on January 18, 2012. It was only on March 19, 2012 that the extant petition was filed before this Court which was beyond the 60-day reglementary period required for filing a petition for certiorari. On the ground of such procedural infirmities, the instant case should be dismissed outright.[16]

WE shall first resolve the procedural issues of whether the extant petition for certiorari is the proper remedy for petitioners and whether the same was filed within the 60-day reglementary period.

The instant petition was filed within the 60-day reglementary period pursuant to Section 4, Rule 65 of the Revised Rules of Court which provides that:

"SECTION 4. When and Where to File the Petition. — The petition shall be filed not later than sixty (60) days from notice of the judgment, order or resolution. In case a motion for reconsideration or new trial is timely filed, whether such motion is required or not, the petition shall be filed not later than sixty (60) days counted from the notice of the denial of the motion.

If the petition relates to an act or an omission of a municipal trial court or of a corporation, a board, an officer or a person, it shall be filed with the Regional Trial Court exercising jurisdiction over the territorial area as defined by the Supreme Court. It may also be filed in the Court of Appeals or with the Sandiganbayan, whether or not the same is in aid of the court's appellate jurisdiction. If the petition involves an act or an omission of a quasi-judicial agency, unless otherwise provided by law or these rules, the petition shall be filed with and be cognizable only by the Court of Appeals."

Records disclose that the assailed December 16, 2011 Order which denied petitioners' motion for reconsideration of the RTC's Order dated March 9, 2011 was received by petitioners on January 18, 2012. From the said date, the

60th day to file a petition for certiorari fell on March 18, 2012 which was a Sunday. Therefore, the instant petition was timely filed on March 19, 2012 which was the next working day.

On June 15, 2012, WE issued a Resolution[17] dismissing the instant petition on the ground of formal defects. However, petitioners filed a Motion for Reconsideration and to Admit Amended Petition for Certiorari[18] which WE granted in OUR Resolution[19] dated July 24, 2013 since the formal deficiencies had been cured and in the interest of substantial justice.

WE proceed to the substantive issues.

Petitioners assert that they have the right to rescind and set aside the Compromise Agreement and the Kasunduan entered into between their predecessors-in-interest and respondents' predecessors-in-interest on the ground of the latter's breach of their obligations under the said documents.

WE do not agree.

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and thus avoid litigation or to put an end to one already commenced. Once stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. It has the effect and authority of *res judicata*, although no execution may issue until it would have received the corresponding approval of the court where the litigation pends and its compliance with the terms of the agreement is thereupon decreed.[20]

Worth mentioning is Article 2041 of the Civil Code which reads, viz:

“If one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand.”

In the instant case, the parties executed the Compromise Agreement to put an end to Civil Case No. SM-746. The same was approved by the respondent court on December 15, 1977. Having been approved by the trial court, it has become a judgment binding between petitioners and respondents. The parties stipulated in the said compromise agreement that the undertakings therein should be faithfully and religiously complied, otherwise, a writ of execution would be issued in case of refusal or failure to abide with its terms. Specifically, item 2 of the Compromise Agreement provides that “should defendants default in the payment of any of the above-mentioned installments on its due date, the rest of the installments shall become due and demandable, without demand therefor, and that immediate execution shall issue against defendants”. As correctly ruled by the RTC, respondents already paid in full the total amount of the one-half (½) portion of the lot subject of this case. However, respondents were not able to pay the attorney's fees and damages due to petitioners as stipulated in the said Agreement which was the reason for the issuance of a writ of execution.

Article 2041 of the Civil Code states that a party can only rescind the Compromise Agreement when one of the parties fails or refuses to abide by the same. This implies a total failure of one of the parties to fulfill the terms and conditions of the Agreement. Since there was already a substantial compliance on the part of respondents, rescission of the contract is no longer available.

The Supreme Court in the case of *Province of Cebu vs. Hon Ramon AM. Torres et al.*[21] already settled that Article 2041 does not apply when there has been substantial compliance with the compromise agreement, thus:

“Error was committed by the respondent court in applying the provisions of Art. 2041 of the Civil Code to the case at bar. Contrary to the ruling of the respondent court that the petitioner had failed or refused to abide by,

and had breached, the terms of its compromise agreement with the private respondents — as shown by its action in questioning by certiorari before this Court the order of 28 December 1979 — said petition for certiorari simply prayed for the refund of what petitioner then believed to be an overpayment in the amount of P210,894.37 The petition was not a manifestation of petitioner's refusal to abide by the compromise agreement. The fact that petitioner had paid private respondents the amount of P2.3 million showed, on the contrary, petitioner's good faith in complying with the compromise agreement. We hold that Art. 2041 of the Civil Code applies only when there has been no substantial compliance with the compromise agreement. In the case at bar, petitioner has almost fully complied with its part of the compromise agreement. What remains to be done is the turn over of the GSIS and Medicare premiums to the GSIS for proper disposition which, according to petitioner, could have been easily done had the payment to private respondents been made through the Office of the Provincial Treasurer.” (emphasis supplied)

WE quote in agreement the lower court's disquisition on this matter, thus:

“x x x while there is no doubt that defendants (respondents herein) have partially reneged on their obligation to fully comply with the compromise agreement in its final form, and thus, causing damage and prejudice to the plaintiffs (petitioners herein), plaintiffs have not proved, as borne by the records of this case, that such omission was done in a fraudulent, malicious and with gross and evident bad faith. The facts and circumstances surrounding this vintage case clearly show that the events which led to this protracted litigation may be attributed to several factors including the demise of the original parties and counsel, and the seeming lack of interest on the part of both parties in litigating this controversy with zeal and ardor.”

Similarly, the respondent court was correct when it did not set aside the Kasunduan entered into by the parties' predecessors-in-interest. It is a fundamental rule that contracts, once perfected, bind both contracting parties and a contract freely entered into should be respected since a contract is the law between the parties.[22] WE cannot rescind and set aside the Kasunduan without undermining the very terms and conditions freely and validly agreed upon by the parties. This Court does not have the power to relieve a party from an obligation it had voluntarily assumed, simply because the Compromise Agreement later turned out to be unwise, disastrous or foolish.[23] The duty of the court is confined to the interpretation of the agreement that the contracting parties have made for themselves without regard to its wisdom or folly as the court cannot supply material stipulations or read into the contract words which it does not contain.[24]

Moreover, the principle of *rebus sic stantibus* does not fit in with the facts of the instant case. Under this theory, the parties stipulate in the light of certain prevailing conditions, and once these conditions cease to exist, the contract also ceases to exist.[25] This theory is said to be the basis of Article 1267 of the Civil Code, which provides:

“When the service has become so difficult as to be manifestly beyond the contemplation of the parties, the obligor may also be released therefrom, in whole or in part.”

This article enunciates the doctrine of unforeseen events. The parties to the contract must be presumed to have assumed the risks of unfavorable developments. It is only in absolutely exceptional changes of circumstances that equity demands assistance for the debtor.[26] WE cannot subscribe to petitioners' argument that the failure of respondents to pay for more than 30 years from the time the Compromise Agreement was entered into by them and respondents' predecessors-in-interest until this time, rendered the same unfair and unreasonable. The failure of respondents to completely fulfill their obligations cannot be considered as unforeseen or unexpected circumstance which would cause its rescission. Respondents' difficulty in complying with their obligations cannot be said to be manifestly beyond the contemplation of the parties. As pronounced in a case[27], mere pecuniary inability to fulfill an engagement does not discharge a contractual obligation.

It is for the greater interest of the parties to end the litigation and to settle the present dispute in accordance with

the parties' obligations contemplated in the Compromise Agreement, which has the force and effect of a judgment and is considered final and executory. Once approved judicially, the Compromise Agreement cannot and must not be disturbed except for vices of consent or forgery.[28]

Therefore, the court a quo committed no grave abuse of discretion when it upheld the parties' Compromise Agreement.

Grave abuse of discretion means such capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction. Mere abuse of discretion is not enough. It must be grave abuse of discretion, as when the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and must be so patent and so gross as to amount to an evasion of a positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law.[29] A showing of such grave abuse of discretion is wanting in this case. The assailed issuances were rendered in accord with existing law and jurisprudence.

WHEREFORE, in light of the foregoing, the petition is DISMISSED for lack of merit. The March 9, 2011 Order and the December 16, 2011 Order of the court a quo are hereby AFFIRMED.

SO ORDERED.

Abdulwahid H. S., Chairperson, and Inting S. B., JJ., concur.

[1] Rollo at 43-47.

[2] Rollo at 48-49.

[3] Rollo at 55.

[4] Rollo at 56.

[5] Rollo at 71-72.

[6] Rollo at 60-61. Decision dated December 15, 1977.

[7] Rollo at 63.

[8] Rollo at 62. Order dated August 6, 1979.

[9] Rollo at 65-66. Order dated October 20, 1988.

[10] Rollo at 65-66. Order dated October 20, 1988.

[11] Rollo at 77-78. Memorandum for the Plaintiffs.

[12] Rollo at 43. Order dated March 9, 2011.

[13] Rollo at 36-38. Amended Petition.

[14] Rollo at 38-39. Amended Petition.

[15] Rollo at 39. Amended Petition.

[16] Rollo at 152-153. Memorandum for the Respondents.

[17] Rollo at 20-21.

[18] Rollo at 24-29.

[19] Rollo at 122-123.

[20] Spouses Jesus and Lolita Martir vs. Sps. Raymundo and Pura Verano, G.R. NO. 170395, July 28, 2006.

[21] G.R. No. 76950, December 15, 1988.

[22] National Housing Authority vs. Grace Baptist Church et al., G.R. No. 156437, March 1, 2004.

[23] See Manila International Airport Authority vs. Ala Industries Corporation, G.R. No. 147349, February 13, 2004.

[24] Limpo vs. Court of Appeals et al., G.R. NO. 144732, February 13, 2006.

[25] Sergio Osmeña III et al. vs. Social Security System of the Philippines et al., G.R. No. 165272, September 13, 2007.

[26] See Daniel So vs. Food Fest Land Inc., G.R. No. 183628, April 07, 2010.

[27] Benson Industries Employees Union-ALU-TUCP et al. vs. Benson Industries Inc., G.R. No. 200746, August 6, 2014.

[28] Aurelio Alonzo and Teresita Sison vs. Jaime and Perlita San Juan, G.R. NO. 137549, February 11, 2005.

[29] Jose Barbieto vs. Court of Appeals, et al., G.R. No. 184645, October 30, 2009.

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