

**REMEDIOS B. VENCIO, JUDITH B. CANUTO, LAURITA B. CASTANEDA,
ALBERT P. BAYACSAN AND GLORIA EMILY B. DANIEL,
PLAINTIFFS-APPELLEES, VS. PADIONA BAYACSAN, ASSISTED BY HER
HUSBAND DA...**

Ponente: DE LOS SANTOS, J.

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DE LOS SANTOS, J.:

Brought to Us on appeal is the decision[1] dated November 17, 2004, rendered by the Regional Trial Court of La Trinidad, Benguet in Civil Case No. 2K-CV-1449, in a complaint for specific performance filed by the above-named plaintiffs-appellees against the above-named defendants-appellants, the dispositive portion of which reads as follows:

“WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of the plaintiffs as against the defendants, as follows:

- Ordering the defendants to perform their obligations contained in their Agreement with the plaintiffs as shown by Exhibit “B” by conveying the 2,000 square meter-portion of that land covered and embraced in by (sic) Transfer Certificate of Title No. T-29914 in their names and which should be adjacent to the property of the plaintiffs in favor of the said plaintiffs;
- To pay Fifty thousand (P50,000.00) pesos by way of moral damages;
- To pay Twenty thousand (P20,000.00) pesos as exemplary damages;
- To pay Thirty thousand (P30,000.00) pesos for attorney’s fees;
- And the costs of this suit.

“SO ORDERED.”

The records and evidence reveal the following relevant facts:

Plaintiffs-appellees’ father, Hudson Bayacsan, the defendants-appellants and the latter’s mother, Vicenta, are among the registered co-owners of a parcel of land covered by Transfer Certificate of Title No. T-4473.[2] As stated in TCT No. T-4473, Hudson Bayacsan, Tamay Bayacsan, and Fausto Angel each own 1/10 portion of the land, while the remaining 7/10 is jointly owned by Vicenta and the defendants-appellants. After the demise of Hudson Bayacsan, the plaintiffs-appellees requested from the other co-owners, especially herein defendants-appellants, the partition of the aforementioned property. However, their request was ignored.

Hence, in 1992, the herein plaintiffs-appellees, together with Tamay Bayacsan, also a co-owner, filed a complaint[3] (docketed as Civil Case No. 92-CV-0689) for judicial partition of the property against the defendants-appellants and Vicenta. During the pendency of Civil Case No. 92-CV-0689, the parties (except Tamay Bayacsan and Vicenta) executed an Agreement,[4] dated July 27, 1992 which stated, among others, that the plaintiffs therein will withdraw the judicial partition case and that after the case is dismissed, the parties will

settle their share and have an accounting of their respective shares in the subject property. However, this Agreement was not notarized.

Thereafter, on August 27, 1992, the parties again executed another Agreement[5] duly notarized by Atty. Ernesto B. Wagang and subject matter of this appeal, which stated, among others, the following:

“Xxx xxx xxx

“That the FIRST PARTY filed a case of Judicial Partition against the SECOND PARTY involving a parcel of registered land situated in Parapad, Ambiong, La Trinidad, Benguet, covered and embraced by Transfer Certificate of Title No. T-4473;

“That, after a serious consideration and considering that both parties are relatives, they have decided to settle the said case amicably outside the court and hereby declare and manifest the following:

“1. That, the FIRST PARTY shall withdraw, stop and desist from pursuing their complaint against the SECOND PARTY and that after the complaint/case in question has been dismissed by the Court, the FIRST PARTY hereby manifests that they are no longer interested in the share of their late parent, HUDSON BAYACSAN and do hereby waive all their rights, interests and participation over the property described in T.C.T. No. T-4473;

“2. That the FIRST PARTY are willing and shall execute any document necessary for the transfer of the said share of the late HUDSON BAYACSAN in favor of the SECOND PARTY;

“3. That the SECOND PARTY in turn shall likewise execute a Deed of Transfer in favor of the FIRST PARTY involving an undivided portion of 2,000 square meters to be taken from the property of CLETO B. SACPA as soon as said parcel of land had been transferred to the SECOND PARTY;

“4. That the FIRST PARTY is very willing to defend, support and witness that the SECOND PARTY are the true and legal heirs of the late CLETO SACPA and will defend them against claims of third persons whomsoever;

“5. That the FIRST PARTY and SECOND PARTY shall go hand and hand and will defend their claims, participations and interests over the properties above-mentioned against third persons who have claims or interests over the same.

“6. That this Agreement shall take effect immediately.

“7. That we are executing this Agreement to support the dismissal of the above-mentioned complaint in Civil Case No. [9]2-CV-0680, and for any other legal purpose it may serve.

“Xxx xxx xxx”

When the plaintiffs-appellees learned that portions of the land previously owned by Cleto Sacpa (who is the defendants-appellants’ ascendant) have been transferred to the defendants-appellants,[6] the plaintiffs-appellants demanded from the defendants-appellants the performance of paragraph 3 above.[7]

Further, notwithstanding the execution of the foregoing agreements, which both provided for the dismissal by the plaintiffs of the partition case, the case remained pending. The defendants were declared in default and the plaintiffs were allowed to present their evidence ex parte.[8] After presentation of the plaintiffs’ evidence, the trial court rendered a decision, dated October 6, 1997, giving due course to the partition.[9]

Accordingly, TCT No. T-4473 was cancelled and several new titles were issued, among which is TCT No. 47370[10] in the name of Albert Bayacsan, the plaintiffs-appellees’ eldest brother. TCT No. 47370, with an area of two hundred thirty two square meters (232 sq.m.), represents the 1/10 share of the plaintiffs-appellee’s father.

With the issuance of TCT No. 47370, plaintiffs-appellees believed that they were already in a position to comply with their obligation to convey the property covered by the aforementioned title and thus, once again, demanded from the defendants-appellants the transfer in the former's favor of the 2,000-square meter parcel of land to be taken from that previously owned by Cleto Sacpa, pursuant to paragraph 3 of the August Agreement. However, the defendants-appellants refused to heed the demands of the plaintiffs-appellees. Based on this premise the plaintiffs-appellees filed a complaint for specific performance, which seeks to enforce the August Agreement, against the defendants-appellants.[11]

The defendants-appellants, in their answer,[12] denied that the August Agreement was the one they executed and contended that they signed only the July Agreement. Further, they posit that even assuming that they signed the August Agreement, their signatures therein were obtained through fraud and deceit. Moreover, the plaintiffs-appellees rescinded the August Agreement when they abandoned their obligations to the defendants-appellants. The defendants-appellants have no obligation to the plaintiffs-appellees. Thus, the plaintiffs-appellees have no cause of action against the defendants-appellants.

After trial on the merits, the trial court rendered the assailed decision favoring the plaintiffs-appellees. Briefly, the trial court found that the defendants-appellants failed to prove that the August Agreement was rescinded by the plaintiffs-appellees. As such, the August Agreement remained to be a binding and legal contract between the parties. The plaintiffs-appellees proved that they complied with their obligation embodied in the August Agreement when they repeatedly offered to give to the defendants-appellants TCT No. 47370, and conveyed to the defendants-appellants, numerous times and on various occasions, their intention to comply with the August Agreement. However, the defendants-appellants gave different reasons so as not to perform the obligations incumbent upon them. Hence, the trial court ordered the defendants-appellants to convey unto the plaintiffs-appellees 2,000 square meters of the land covered by TCT No. T-22914, pay the plaintiffs-appellees moral & exemplary damages and attorney's fees, and bear the costs of the suit.

Aggrieved by the decision of the trial court, the defendants-appellants filed the instant appeal alleging that:[13]

“THE LOWER COURT GRAVELY ERRED:

I. WHEN IT FAILED TO RULE THAT WHAT THE DEFENDANTS SIGNED IS EXHIBIT ‘6’ AND NOT ANNEX ‘B’ TO THE COMPLAINT;

II. WHEN IT FAILED TO DISMISS THE COMPLAINT FOR LACK OF A CAUSE OF ACTION;

III. WHEN IT FAILED TO DECLARE THE ALLEGED AGREEMENT (ANNEX ‘B’) TO THE COMPLAINT INVALID AND WITHOUT LEGAL FORCE AND EFFECT FOR NON-COMPLIANCE WITH THE LAW REQUIRING THE APPROVAL OF DOCUMENTS OF CONVEYANCES OF REAL PROPERTIES EXECUTED BY ILLITERATE MEMBERS OF THE CULTURAL MINORITIES BY THE COMMISSION ON NATIONAL INTEGRATION (CNI), NOW OFFICE OF THE NORTHERN CULTURAL COMMUNITIES (ONCC).”

The sole issue for our resolution is whether the defendants-appellants are obligated to comply with the terms and conditions set forth in the August Agreement.

The appeal is meritorious.

It is undisputed that the parties executed the August Agreement because there was a pending dispute between them, i.e. the partition case. In fact, it is stated that they entered into the said agreement in order to amicably settle and end the said case, considering that they are relatives. Such agreements are commonly known as compromise agreements.

In the case entitled *Felipe O. Magbanua, et. al. vs. Rizalino Uy*,^[14] the Supreme Court discussed compromise agreements and held:

“A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and thus avoid or put an end to a lawsuit. They adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing. Verily, the compromise may be either extrajudicial (to prevent litigation) or judicial (to end a litigation).

“A compromise must not be contrary to law, morals, good customs and public policy; and must have been freely and intelligently executed by and between the parties. To have the force of law between the parties, it must comply with the requisites and principles of contracts. Upon the parties, it has the effect and the authority of *res judicata*, once entered into.

“When a compromise agreement is given judicial approval, it becomes more than a contract binding upon the parties. Having been sanctioned by the court, it is entered as a determination of a controversy and has the force and effect of a judgment. Xxx.”

The Supreme Court continued and ruled:

“Xxx. The validity of the agreement is determined by compliance with the requisites and principles of contracts, not by when it was entered into. As provided by the law on contracts, a valid compromise must have the following elements: (1) the consent of the parties to the compromise, (2) an object certain that is the subject matter of the compromise, and (3) the cause of the obligation that is established.”^[15]

Here, it is clear that the foregoing requisites have been satisfied. Hence, the August Agreement is valid. Further, it must be emphasized that the August Agreement^[16] is a notarized document, and as such, has in its favor the presumption of regularity and it carries the evidentiary weight conferred upon it with respect to its execution.^[17] Such being the case, it must be upheld and rendered in full force and effect so long as he who impugns it does not present strong and conclusive proof of its falsity or nullity on account of some flaws or defects provided by law.^[18]

The defendants-appellants’ allegation that their consent was fraudulently obtained by the plaintiffs-appellees which led them into signing the August Agreement deserves scant consideration because it is not supported by the evidence adduced. The record shows that the defendants-appellants proof of the alleged fraud consisted of mere denials.^[19] The defendants-appellants’ evidence falls short of what is required for the reason that fraud is never presumed; allegations of fraud must be proved and established by clear and convincing evidence.^[20]

Inasmuch as the August Agreement is valid and created reciprocal obligations between the parties thereto, the Supreme Court, in the case of *Fernando Carrascoso, Jr. vs. The Honorable Court of Appeals, et. al.*,^[21] had this to say about reciprocal obligations:

“Reciprocal obligations are those which arise from the same cause, and in which each party is a debtor and a creditor of the other, such that the obligation of one is dependent upon the obligation of the other. They are to be performed simultaneously such that the performance of one is conditioned upon the simultaneous fulfillment of the other.

“The right of rescission of a party to an obligation under Article 1191 is predicated on a breach of faith by the other party who violates the reciprocity between them.”

However, simultaneous performance allows performance of the obligation at a different time.^[22] Quoting the learned Mr. Arturo Tolentino,^[23] he stated:

“The parties in bilateral contract can regulate the order in which they shall comply with their reciprocal prestations. Xxx But if the parties have not determined the order of fulfillment of their obligations, this fulfillment must be reciprocal and simultaneous. Hence, one party cannot demand performance by the other without offering to comply with his own prestation. It is axiomatic that in the (sic) reciprocal obligations, neither party incurs in default if the other does not comply [or] is not ready to comply in a proper manner with what is incumbent upon him.

“In reciprocal obligations, therefore, the general rule is that the fulfillment by the parties should be simultaneous. Where both are in fault, their respective liability for damages shall be offset equitably. There may be cases of reciprocal obligations, however, in which different dates for performance are fixed for the obligations; xxx. Ordinarily, however, when one party to a reciprocal obligation fails duly to carry out his agreement, he thereby releases the other, who does not thus become delinquent. Delinquency commences when one of the contracting parties fulfills his obligation and becomes invested with power to determine the contract because of failure on the part of the other to carry out the agreement. Xxx.”

Further, the remedy of rescission, as provided in Article 1191 of the New Civil Code, is available to the parties in case of breach of contract. Thus, in the case of *Bienvenido M. Casiño, Jr. (petitioner) vs. The Court of Appeals and Octagon Realty Development Corporation (respondents)*, [24] the High Tribunal held:

“With the reality that petitioner has failed to comply with his prestations under his contract with respondent, the latter is vested by law with the right to rescind the parties' agreement, conformably with Article 1191 of the Civil Code, which partly reads: ‘Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

‘The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission even after he has chosen fulfillment, if the latter should become impossible.

xxx xxx xxx

“Explicit it is from the foregoing that ‘in reciprocal obligations’, or those which arise from the same cause, and in which each party is a debtor and a creditor of the other, in the sense that the obligation of one is dependent upon the obligation of the other, the right to rescind is implied such that “absent any provision providing for a right to rescind, the parties may nevertheless rescind the contract should the other obligor fail to comply with its obligations”. “It must be stressed, though, that the right to rescind a contract for non-performance of its stipulations is not absolute. The general rule is that rescission of a contract will not be permitted for a slight or casual breach, but only for such substantial and fundamental violations as would defeat the very object of the parties in making the agreement.”

At this point, an examination of the terms and conditions of the August Agreement [25] is called for. It states the following reciprocal obligations of the parties:

On the part of the plaintiffs-appellants, as the first party, they undertook to perform the following:

- have the complaint for judicial partition withdrawn and dismissed by the court;
- after the dismissal of the partition case, as heirs of Hudson Bayacsan, waive all their rights and interests over their 1/10 share in the parcel of land covered by TCT No. T-4473;
- execute the necessary documents for the transfer of said 1/10 share in favor of the second party, herein defendants-appellants; and
- support and witness that the second party are the true and legal heirs of the late Cleto Sacpa and to defend the

second party against claims of third persons.

On the part of the defendants-appellants, as the second party, they undertook to execute a deed of transfer in favor of the first party over 2,000-square meter parcel of land, which is a portion of that previously owned by Cleto Sacpa, as soon as the land is transferred to the second party.

On the part of both parties, they undertook to defend each other against the claims of third persons over the properties conveyed to each one.

The August Agreement likewise stated that it is to take effect immediately.

As can be clearly seen, the obligations of the plaintiffs-appellees are immediately demandable,[26] while that of the defendants-appellants is demandable or due “as soon as the land is transferred to the second party”[27] (herein defendants-appellants). The defendants-appellants obligation did not arise until the titles to the land previously owned by Cleto Sacpa were transferred to them on November 13, 1992[28] and August 22, 1995.[29]

Sadly though, the plaintiffs-appellees failed to perform their obligations. Nothing in the records and evidence presented indicate that the complaint for judicial partition was withdrawn and, consequently, dismissed by the trial court. Neither is there any evidence that the plaintiffs-appellees waived their rights and interests over 1/10 of the land covered by TCT No. T-4473 nor did they execute the necessary documents to convey said 1/10 share to the defendants-appellants. On the contrary, the plaintiffs-appellants’ evidence confirm that they breached the August Agreement. Instead of withdrawing the partition case, they pursued the same and a decision was rendered in their favor, which was later enforced resulting in the issuance of TCT No. 47370 under the name of Albert Bayacsan.[30] They even admitted that they have not complied with the August Agreement.[31]

With their breach, the plaintiffs-appellees definitely rescinded the August Agreement and rendered the same without any force and effect. Hence, they themselves released the defendants-appellants from compliance with the August Agreement. They cannot be allowed to demand performance of the obligations of the defendants-appellants pursuant to an agreement which they themselves revoked and terminated through non-performance of their own obligations.

WHEREFORE, in view of the foregoing, the appealed decision is REVERSED. Accordingly, the complaint filed by the plaintiffs-appellees is hereby DISMISSED.

SO ORDERED.

Lampas-Peralta and Dimaranan-Vidal, JJ., concur.

[1] Records, pages 272 through 282.

[2] Exhibit “A”, Records, page 6.

[3] Exhibit “1”, Records, pages 258 through 262.

[4] Exhibit “6”, Records, page 264.

[5] Exhibit “B”, also marked Exhibit “4”, Records, pages 165 through 166.

[6] TCT No. 29914 (Exhibit “E”) and TCT No. 33955 (Exhibit “F”), Records, pages 18 through 19 and 20, respectively.

[7] Exhibit “I”, Records, page 168.

- [8] Exhibit “D”, also marked Exhibit “3”, Records, pages 10 through 17.
- [9] Ibid.
- [10] Exhibit “H”, Records, page 167; TSN, dated July 3, 2001, page 4.
- [11] Complaint, filed on January 25, 2000, Records, pages 2 through 21, including the annexes.
- [12] Amended Answer admitted pursuant to the Order dated August 2, 2000, Records, page 71.
- [13] Appeal Brief (for the Defendants-Appellants), Rollo, pages 24 through 50, including annexes.
- [14] G.R. No. 161003, May 6, 2005.
- [15] Ibid.
- [16] Exhibit “B”, also marked Exhibit “4”, Records, pages 165 through 166.
- [17] Dr. Jose and Aida Yason vs. Faustino Arciaga, et. al., G.R. No. 145017, January 28, 2005; Ateneo de Naga University and Edwin P. Bernal vs. Jovita S. Manalo, G.R. No. 160455, May 9, 2005.
- [18] Ibid.
- [19] TSN, dated May 15, 2002, June 26, 2002.
- [20] Inocelia S. Autencio vs. Rodel M. Manara, et. al., G.R. No. 152752, January 19, 2005; Leonardo Acabal et. al. v. Villaner Acabal, et. al. G.R. No. 148376, March 31, 2005; Solidbank Corp. v. Mindanao Ferroalloy Corp, et. al., G.R. No. 153535; Lily Elizabeth Bravo-Guerrero, et. al. v. Edward P. Bravo, G.R. No. 152658; Rodolfo Santos v. Ronald Manalili, G.R. No. 157812, November 22, 2005.
- [21] G.R. No. 123672, December 14, 2005.
- [22] Article 1169, New Civil Code.
- [23] Commentaries and Jurisprudence on the Civil Code of the Philippines by Arturo M. Tolentino, Volume 4 (1993 Reprinting), page 109.
- [24] G.R. No. 133803, September 16, 2005.
- [25] Exhibit “B”, also marked Exhibit “4”, Records, pages 165 through 166.
- [26] Article 1179, New Civil Code; Exhibit “B”, also marked Exhibit “4”, Records, pages 165 through 166.
- [27] Exhibit “B”, also marked Exhibit “4”, Records, pages 165 through 166.
- [28] TCT No. 29914 (Exhibit “E”), Records, pages 18 through 19.
- [29] TCT No. 33955 (Exhibit “F”), Records, page 20.
- [30] TSN, dated June 21, 2001, pages 9 and 17; TSN dated July 31, 2001, pages 3 through 5.
- [31] TSN, dated June 21, 2001, pages 4 through 5; Paragraph 9 of the Complaint, Records, pages 2 through 21, at page 2.

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