

JOSE N. MAYUGA, SUBSTITUTED BY SIMONA L. MAYUGA, SYLVIA MAYUGA YUSON, JOSE L. MAYUGA, JR., ABELARDO MAYUGA, RAMON MAYUGA, JOSEFINA MAYUGA-FINK, CRISTINA MAYUGA AND ROBERTO MAYUGA...

G.R. No. L-46953. September 28, 1987

Ponente: CORTES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/6604d9ee0693/>

CORTES, J.:

The property involved in this litigation was the subject of an application for registration of title under the Torrens System filed way back in 1927. Issues relating to ownership and other rights over the property have given rise to a number of controversies, the present case being one of them.

This is a petition for review of a decision of the Court of Appeals in CA-G.R. No. 43846-R dated May 26, 1977 (Fernandez, J., ponente, concurred in by Bautista and Alampay, JJ.), and the Resolution in said case denying appellants' Motion To Set Aside the Decision on the Ground of Compromise Agreement (Bautista, J., chairman, and Alampay and Gutierrez, JJ. members).

Narciso Mayuga had six children: Estanislao, Angel, Nestor, Maura, Amado and Maria. In 1921, Narciso gave to his son, Angel, a piece of land located in Las Pinas, Rizal consisting of about 62 hectares. By virtue of a public instrument, Angel conveyed the property to his brother, Estanislao Mayuga.

On June 24, 1927 Estanislao Mayuga initiated a registration proceeding docketed as LRC Case No. 657, GLRO Record No. N-29882 in the Court of First Instance of Rizal to confirm his title to the land described as Lots Nos. 1, 2 and 3 of Plan Psu-47035. On August 19, 1935 the CFI-Rizal granted Mayuga's application. The Court of Appeals upheld the decision of the CFI in its decision dated November 17, 1939.

Estanislao died in 1941 leaving only one son, Dominador Mayuga. He left a last will and testament (Exh. "Q-1"), wherein he disinherited his son Dominador for being disrespectful, ungrateful, dishonest and cruel. In his will, Estanislao grouped his properties under the following headings:

1. "Lo siguiente son las propiedades que mi esposa y yo hemos llegado afundar"; and
2. "Lo siguiente son las propiedades que he heredado de mi padre, Narciso Mayuga, y los que he adquirido en compra por medio dinero de la venta de los terrenos que he heredado de mi padre."

Among those listed under the second group is a riceland under Tax Declaration No. 6726 with an assessed value of P11,870.00, and bearing the notation: "25 hectarias de este terreno partenecen a mi hermano, Dr. Angel Mayuga."

Angel Mayuga died in 1957.

On September 3, 1957, a document entitled "Confirmation of Co-ownership" (Exh. "A") was executed by and

among the children and heirs of Angel Mayuga (namely Jose, Lourdes, Carmen, Consolacion and Manuel, all surnamed Mayuga) and the testamentary heirs of Estanislao Mayuga (namely Agripino, Milagros, Purificacion, Manuel and Aurora, all surnamed Mayuga), and Dominador Mayuga. Under the deed the parties declared that they are the owners pro-indiviso of fifty nine (59) hectares of unregistered land located in Kaypawikan, Almanza, Las Pinas, Rizal valued at P11,870.00 and declared under Tax Declaration No. 6726 in the name of Angel Mayuga. Dominador confirmed his ownership of only 4/59 of the entire property.

A month later, on October 5, 1957, Dominador Mayuga sold his undivided 4/59 share in said property to the spouses Hilario and Lilia Fusilero by virtue of a "Simple Deed of Sale" (Exh. "B").

On May 13, 1958 Dominador Mayuga filed a petition in the land registration court alleging that he is the only heir of the deceased Estanislao Mayuga (despite the fact that he had been disinherited) and praying for the issuance of a decree of registration over Lots 1, 2 and 3 of Plan Psu-47035 adjudicated in favor of Estanislao.

Acting on the petition, the court ordered Dominador Mayuga "to notify the heirs of the original adjudicatee, Estanislao Mayuga, or his heirs . . . and the Commissioner of Land Registration." (Exh. "C-3") Only the Commissioner of Land Registration was notified. (Exh. "C-4")

On May 21, 1958 the court granted the petition and directed the Commissioner of Land Registration to issue a decree of registration over Lots 1, 2 and 3 of Plan Psu-47035, "substituting therein as registered owner Dominador Mayuga, in lieu of the original adjudicatee, Estanislao Mayuga, based on the affidavit of self-adjudication, subject to the provisions of Sec. 4, Rule 74 of the Rules of Court." (Exh. "C-5".)

On the same day, May 21, 1958, the Land Registration Commissioner issued a decree of registration in favor of Dominador Mayuga. The decree, however, did not contain the condition "subject to the provisions of Sec. 4, Rule 74 of the Rules of Court." At the early hour of 7:38 a.m. of May 21, 1958, Original Certificate of Title No. 1609 in the name of Dominador Mayuga was issued, again without the aforementioned condition. OCT No. 1609 was transcribed in the Registration Book of the Registry of Deeds of Rizal at 12:14 p.m. (Exh. "E-1".)

What followed within the next nineteen days was a series of transfers culminating in the sale of the registered property to Macondray Farms, Inc., with the price rising from P25,910.00 to P313,976,50.00.

5/21/58

- Sale by Dominador Mayuga to Donato Ciriaco for P 25,910.00.

5/23/58 - 9:00 a.m.

- Sale to Ciriaco presented for registration; TCT No. 58995 in Ciriaco's name issued

- Sale by Ciriaco to Rafael Grey, Jr. for P50,000.00

- 9:02 a.m.

- Sale to Grey, Jr. presented for registration; TCT No. 58996 in Grey's name issued.

6/7/58

- Sale by Grey in favor of Claro Y. Sulit for P100,000.

- Sale by Sulit to Emilio Esteban for P150,000.

6/9/58

- Sale by Esteban to Macondray Farms, Inc. for P313,976.50

6/10/58 - 8:15 a.m.

- Registration of the sale to Sulit; issuance of TCT No. 59438 in Sulit's name

- 8:17 a.m.

- Registration of the sale to Esteban; issuance of TCT No. 59439 in Esteban's name

- 8:19 a.m.

- Registration of the sale to Macondray; issuance of TCT No. 59440 in Macondray's name

6/11/58 -

- Mortgage by Macondray in favor of Hongkong and Shanghai Banking Corporation

On May 14, 1959, or within one (1) year from issuance of the decree of registration on May 21, 1958, petitioners Jose Mayuga et al. initiated a proceeding against Dominador Mayuga, the Land Registration Commissioner, Macondray Farms, Inc., Hongkong and Shanghai Banking Corporation, the Treasurer of the Philippines and other persons to review the decree of registration in favor of Dominador Mayuga and to cancel Original Certificate of Title No. 1609 issued under such decree and all Transfer Certificates of Title derived therefrom. Alternatively, plaintiffs prayed that they be paid the value of the property.

Plaintiffs-Petitioners alleged that the decree of registration was obtained maliciously and fraudulently in that Dominador, in obtaining the decree represented himself to be the sole heir of Estanislao Mayuga, when he knew that he had been disinherited and that Estanislao had instituted heirs; that Dominador maliciously and fraudulently omitted to notify the instituted heirs of his petition for the issuance of a decree of registration in his name despite the court order to do so.

The Commissioner of Land Registration was impleaded for negligently and fraudulently not stating that the decree of registration was subject to Sec. 4, Rule 74 of the Rules of Court despite the fact that the order of the court directing the issuance of a decree stated such condition.

The defendants Donato Ciriaco, Rafael Grey, Jr., Claro Y. Sulit, Emilio Esteban, Macondray Farms, Inc., and Hongkong and Shanghai Bank were being sued for their participation in an alleged fraudulent scheme to systematically deprive plaintiffs of their property rights.

The Treasurer of the Philippines was sued in his capacity as custodian of the Assurance Fund.

Dominador Mayuga alleged in his answer that the registered property in question is not the same property subject of the deed of "Confirmation of Co-ownership" and "Simple Deed of Sale"; that he had acquired a valid and indefeasible title to the property in question; and that the plaintiffs were barred from reopening the decree of registration as the property had already passed into the hands of innocent purchasers for value.

The Treasurer of the Philippines denied the liability of the Assurance Fund because the conditions for such recovery are not present inasmuch as the plaintiffs are not precluded from bringing an action for recovery of the land or their interest therein; that the plaintiffs were guilty of negligence or laches; and that the persons guilty of fraudulent registration can indemnify the plaintiffs.

The Commissioner of Land Registration alleged that the decree of registration was issued in good faith and in the

strict performance of official duty; and that the omission to annotate as a condition the liabilities imposed by Section 4, Rule 74 of the Rules of Court was a mere oversight on his part.

The Hongkong and Shanghai Banking Corporation admitted having granted two loans to defendant Macondray Farms, Inc. accepting as security for said loans a mortgage on the property in question and that the bank relied solely on the certificate of title covering the property.

The other defendants invoked their being innocent purchasers for value of the property in question.

With leave of court, Maria Mayuga Vda. de Cailles filed a complaint in intervention alleging that the property in question formed part of the estate of the late Narciso Mayuga; that she is a forced heir of said decedent; and that she is a co-owner of the property as one of the forced heirs of Narciso Mayuga.

Also with leave of court, the children of Dominador Mayuga, namely, Agripino, Milagros, Purificacion, Manuel and Aurora, filed a complaint in intervention alleging that they are the owners of the property in question as instituted heirs of Estanislao Mayuga who had bought the property from Angel Mayuga, the father of the plaintiffs.

On June 29, 1965 the case was dismissed as to the Hongkong and Shanghai Banking Corporation because the mortgage constituted in favor of said defendant bank over the property in litigation had been discharged.

In its decision dated September 23, 1968 the trial court dismissed the complaint and the complaints' in intervention. The plaintiffs and the intervenors appealed to the Court of Appeals.

In the meantime, under a compromise agreement Maria Mayuga Vda. de Cailles acquired the rights and interests of the other intervenors in the property involved. Later Maria died leaving as her heirs Serafin Cailles, Leon Cailles and Carmen C. Mayuga. With leave of court, said heirs were ordered substituted for Maria Mayuga vda. de Cailles.

Likewise, upon motion, Jose N. Mayuga who died on June 3, 1971 was substituted by his heirs Simona Lucero-Mayuga, Sylvia, Jose, Jr., Abelardo, Ramon, Josefina, Cristina and Roberto, all surnamed Mayuga.

On July 13, 1976, Macondray Farms, Inc. filed a motion stating that it had sold, transferred and assigned to Realty Sales Enterprise, Inc. the property in question, and praying that said Realty be substituted as party-defendant-appellee in lieu of Macondray Farms, Inc. The motion was not acted upon.

Subsequently negotiations for a settlement were conducted between the parties. On May 18, 1977, counsels for petitioners, Zaida Ruby S. Alberto and Mary Concepcion-Bautista sent to Mr. Richard Baldwin, representative of both Realty and Macondray the following letter:

May 18, 1977

Mr. Richard Baldwin

5th Floor, Filipinas Life Building

Ayala Avenue, Makati, Metro Manila

Dear Mr. Baldwin:

Further to our telephone conversation yesterday, May 17, 1977, we are pleased to inform you that our clients are willing to accept the amount of FOUR MILLION TWO HUNDRED FIFTY THOUSAND PESOS (P4,250,000.00) in settlement of their claims, title, rights and interest in that property subject of CA-G.R. No. 43846 in the Court of Appeals, entitled "Jose N. Mayuga, et.al. v. Macondray Farms. Inc., et.al.," payable as

follows:

- a) THREE MILLION PESOS (P3,000,000.00) within sixty days from the date hereof; and
- b) The balance of ONE MILLION TWO HUNDRED FIFTY THOUSAND PESOS (P1,250,000.00) within one (1) year from date hereof.

Kindly communicate (to) us your conformity in writing to the above within three (3) days from receipt of this letter.

Very truly yours,

(Sgd.)

ZAIDA RUBY S. ALBERTO

and

(Sgd.)

MARY CONCEPCION BAUTISTA

Copy furnished:

Atty. Arturo A. Alafriz

7th Floor

Metropolitan Bank Building

Ayala Avenue, Makati, Metro Manila

On May 20, 1977, Realty Sales Enterprise, Inc. (assignee of Macondray Farms, Inc.), thru its President, Atty. Arturo Alafriz sent the following reply letter:

May 20, 1977

Attys. Zaida Ruby S. Alberto

and Mary Concepcion Bautista

212 Rufino Bldg., Ayala Ave.

Makati, Metro Manila

Mesdames:

This is to advise you of our conformity to the conditions set in your letter of May 18, 1977, addressed to Mr. Richard Baldwin, for the complete settlement of the claims, title, rights and interests of your clients in and to the property subject of CA-G.R. No. 43846 entitled, Jose Mayuga et.al., vs. Macondray Farms, Inc., before the Court of Appeals, for and in consideration of the total sum of P4,250,000.00, payable as follows:

- a) P3,000,000.00 within 60 days from May 18, 1977; and
- b) P1,250,000.00 within one year from said date.

It is, of course, expressly understood that the aforestated amounts will only be paid if we are able to sell the property. Furthermore, we request that all your clients must formally ratify and confirm the foregoing by a public document, delivered to us within seven (7) days from date hereof.

Very truly yours,

REALTY SALES ENTERPRISE, INC.

By: (Sgd.)

ARTURO A. ALAFRIZ

On May 27, 1977, in compliance with the request for a ratification and confirmation, Attys. Alberto and Concepcion Bautista sent to Realty Sales Enterprise a Deed of Confirmation and Ratification executed by all their clients.

Unknown to the parties, the Court of Appeals had earlier promulgated its decision in CA-G.R. No. 43846-R on May 26, 1977.

Petitioners thus filed a Motion to Set Aside the Decision on the Ground of Compromise Agreement praying that the decision be set aside and another judgment be rendered based on the Compromise Agreement of the parties.

In its Resolution dated August 2, 1977, the Court of Appeals denied the motion. Hence, the present petition, petitioners alleging that the Court of Appeals erred in not granting its motion.

The issue before this Court is whether or not a compromise agreement was perfected, and if so, what are the obligations arising from that agreement.

The law defines a compromise as "a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced." (Civil Code Art. 2028.)

Note the characterization of a compromise as a contract. As such, it is perfected by mere consent. (Civil Code, Art. 1315.) "Consent is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract. The offer must be certain and the acceptance absolute." (Civil Code, Art. 1319.)

In the case at bar, Realty Sales Enterprise, Inc., in its letter dated May 20, 1977, expressed its "conformity to the conditions set in (the) letter of May 18, 1977, addressed to Mr. Richard Baldwin," with the end in view of completely settling "the claims, titles, rights and interests of petitioners in and to the property subject of litigation." And in the Deed of Confirmation and Ratification executed by petitioners, they "confirm(ed) and ratif(ied) the conditions set in the letter of (their) counsel Attys. Zaida Ruby S. Alberto and Mary Concepcion Bautista dated May 18, 1977 addressed to Mr. Richard Baldwin, and accepted and confirmed by Realty Sales Enterprise, Inc. thru Dr. Arturo Alafriz in its letter dated and received May 20, 1977 addressed to Attys. Zaida Ruby S. Alberto and Mary Concepcion Bautista." A contract of compromise was therefore perfected.

Both the Land Registration Commission and Macondray Farms, Inc. claim otherwise. They argue that no valid compromise was entered into.

It is alleged that the lack of judicial approval is fatal to the compromise. A compromise is a consensual contract. As such it is perfected upon the meeting of the minds of the parties to the contract. (Hernandez v. Barcelon, 23 Phil 599 [1912]; see also De los Reyes v. de Ugarte, 75 Phil 505 (1945).) And from that moment not only does it become binding upon the parties (De los Reyes v. De Ugarte, supra), it also has upon them the effect and authority of res judicata (Civil Code, Art. 2037), even if not judicially approved (Meneses v. De la Rosa, 77 Phil. 34 (1946); Vda. de Guilas v. David, 132 Phil. 241, L-24280, 23 SCRA 762 (May 27, 1968); Cochingyan v. Cloribel, L-27070-71 (April 22, 1977), 76 SCRA 361].

Respondents cite the case of *Heirs of Gabriel Zari v. Santos* [L-21213-14 (March 28, 1969), 27 SCRA 651] as authority for the doctrine that a compromise agreement, to be valid, must be with judicial approval. A perusal of the case reveals that no such doctrine was enunciated. The supposed doctrine is found only in the syllabus of the case report prepared by the editors which is not an independent authority, and cannot prevail over the text of the decision.

It is also contended that it is indispensable that the compromise agreement must have the conformity of all the parties to the case. It is claimed that "no new judgment on the basis of compromise may be validly rendered without such conformity since the judgment of the court in any case is not only valid and effective as against one but as against all the parties thereto." (Comment, p. 22.)

Against the factual backdrop of this case, this argument is more sophistic than real. It is to be recalled that Macondray filed with the Court of Appeals a motion stating that it had sold, transferred and assigned to Realty the property in question, and praying that the latter be substituted as party-defendant-appellee. The motion, however, was not acted upon.

Note that the transfer was made *pendente lite*, and with notice of *lis pendens*. Hence, Realty, the transferee, is bound by any judgment which may be rendered for or against Macondray, the transferor. (See *Fetalino v. Sanz*, 44 Phil 691 [1923]. As the new owner of the property, Realty was the party with a substantial interest in the land, and hence, would naturally be the most interested in terminating the case. Hence, it was the one negotiating for the settlement. It must also be pointed out that both of the companies, Realty and Macondray, were represented by only one person, Mr. Baldwin, and by the same counsel, Atty. Alafritz.

With the perfection of the agreement between petitioners and Realty, the next step would have been the submission of the contract to the Court of Appeals with notice to all the party-litigants. However, the Court of Appeals decision "caught up" with the compromise.

It can be said, however, that the conformity of respondents would have been a mere formality, and not indispensable, as alleged, if we consider their position as party-defendants. If the compromise, upon its perfection, has the effect of *res judicata* with respect to petitioners (See Civil Code, Art. 2037), then it operates as a bar to their pursuing further their claim against respondents. There was no necessity, therefore, to require the consent of respondents (who at the time no longer retained any interest in the property) since with petitioners estopped by the contract, there would be no more claimants against whom the respondents would have to defend themselves.

It is alleged that the consent of Macondray which had a mortgage lien over the property is indispensable. Note, however, that the compromise settlement is silent as to the mortgage. Since a compromise embraces only those objects which are definitely stated therein (Civil Code, Art. 2036), the mortgage is not affected by the compromise agreement.

At this point, it may be well to point out that even as Realty is not a formal party to the case, the motion for substitution not having been acted upon, it is nonetheless bound by it, being one of the contracting parties. Persons who are not formal parties to a civil case but who willingly and voluntarily enter into a compromise agreement are bound thereby [*Rodriguez v. Alikpala*, G.R. No. L-38314 (June 25, 1974), 57 SCRA 455].

Note also that the Motion for Substitution of the Defendant-Appellee Macondray Farms, Inc. (Annex "F" to the Petition) was jointly signed by both the Presidents of Macondray and of Realty Sales Enterprise, Inc. By its voluntary appearance before the Court, Realty submitted itself to the jurisdiction of the court.

The Civil Code states that "there shall be no execution except in compliance with a judicial compromise." (Civil Code, Art. 2037) which is one which seeks to put an end to a litigation already commenced (Civil Code, Art.

2028). Apparently, the reason behind this rule is that only if the court has already acquired jurisdiction over the person of a party may court processes, e.g. writ of execution, issue against him (See *Rodriguez v. Alikpala*, *supra*).

In the case at bar, there can be no doubt that Realty has submitted itself to the jurisdiction of the Court. Hence, execution may issue against it.

Another ground relied upon by respondents is the alleged refusal of petitioners of Mayuga lift their notice of *lis pendens* until they are paid.

Was there a refusal? Other than the mere allegation of respondent, there is nothing in the record to indicate that there was indeed a refusal. But granting *arguendo* that the Mayugas did refuse to lift their notice of *lis pendens*, the Court does not see how a refusal could affect the validity of the compromise agreement. Neither has respondent shown how.

If the refusal must affect the validity of the agreement, then it must relate to one of the three essential requisites of a contract, to wit: (1) consent, (2) object, and (3) cause. As stated above, with the exchange of documents, there was a meeting of the minds between the parties as to the object of the contract which is the settlement of the dispute, and as to the cause thereof, which, as to petitioners, is the payment of P4,250,000.00 and, as to respondents, the relinquishment by petitioners of the latter's claim, title and interest in the land. Clearly, therefore, the alleged refusal does not affect the validity of the contract.

If at all, the alleged refusal to lift the notice of *lis pendens* may only affect the performance of obligations under the agreement, but not the validity thereof. We need not, however, dwell on this since the theory of the respondents is anchored on the alleged absence/invalidity of the contract.

Reliance is also made on that portion of Realty's reply-letter which states: "It is, of course, expressly, understood that the aforestated amounts will only be paid if we are able to sell the property."

Reduced to their barest essentials, the arguments of the parties raise this issue: What is the legal import of the aforequoted portion of the letter?

Respondents argue that the above statement in effect qualified the acceptance by Realty of petitioner's offer of compromise. Be that as it may, the legal significance of qualified acceptance is that it constitutes a counter-offer (Civil Code, Art. 1319), which needs to be accepted if a contract were to be perfected. With the Deed of Confirmation and Ratification, the counter-offer was accepted. Hence, a compromise was perfected.

Yet, the question remains.

It is basic that in the construction of contracts, where there are several provisions or particulars, such a construction as will give effect to all provisions will be adopted. (Rule 130, Sec. 9) Likewise, if some stipulations of any contract should admit of several meanings, it shall be understood as bearing that import which is most adequate to render it effectual (Civil Code, Art. 1373), and the various stipulations of a contract should be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly (Civil Code, Art. 1374).

Applying the above principles to the case at bar, the controversial portion of the reply-letter can only be construed to mean that Realty would pay the stated amounts on the specified dates only if it is able to sell the property within such period. In other words, it is the compliance of the obligation on a given date that is subjected to the condition of ability to sell, and not the obligation itself. That is, if the property is not sold within the period, the obligation may be discharged at some later time without the obligor incurring in delay. But the obligation of

Realty, the debtor, to pay subsists, if the petitioners are to relinquish their title and interest in the disputed property --- which title and interest Realty even expressly admitted in its reply-letter.

This construction is bolstered by a comparison of the negotiations between the parties that culminated in the exchange of instruments quoted above, and the negotiations previously had between the same parties.

Earlier, on December 15, 1976, Attys. Zaida Ruby S. Alberto and Mary Concepcion Bautista, counsels for petitioners, sent the following communication to Mr. Richard Baldwin:

Mr. Richard Baldwin

Macondray Farms, Inc.

5th Floor, Filipinas Life Building

Ayala Avenue, Makati, Rizal

Dear Mr. Baldwin:

Pursuant to our conversation yesterday afternoon, we make formal the counter-offer of our clients to waive all their rights and interests in the property subject of CA-G.R. No. 31887-R entitled "Macondray Farms v. Mayuga" for and in consideration of the amount of FOUR MILLION (P4M) PESOS.

This counter-offer however, is good only up to December 27, 1976.

Very truly yours,

(Sgd.)

ZAIDA RUBY S. ALBERTO

(Sgd.)

MARY CONCEPCION BAUTISTA

While the 1976 counter-offer had a definite lifetime, the 1977 compromise agreement had no such limitation. If the parties had intended the 1977 contract to last only for a given period, as respondent contends, it would have been so clearly provided. But it was not so. Instead, Realty inserted a provision which, at best, is ambiguous, and hence, must be construed against the one who caused it (Civil Code, Art. 1377).

In its memorandum, Macondray manifested that it was unable to sell the property. Following our construction of the compromise agreement as set forth above, the obligation to pay did not mature on the dates specified. One thing is certain, however. The parties did not intend the obligation to be pure; that the obligor was to perform its obligation within a given period. Yet, probably certain when they were negotiating the compromise that the contemplated sale would be consummated within the given dates, the parties have not stipulated as to when the obligation would have to be performed if the sale does not push through. This lacuna in the contract justifies the application of Art. 1197, Civil Code, which provides:

Art. 1197. If the obligation does not fix a period, but from its nature and the circumstances it can be inferred that a period was intended, the courts may fix the duration thereof.

The courts shall also fix the duration of the period when it depends upon the will of the debtor.

In every case, the courts shall determine such period as may under the circumstances have been probably contemplated by the parties. Once fixed by the courts, the period cannot be changed by them.

It has been more than ten years since the compromise agreement was entered into. By entering into a compromise agreement, the party-litigants could have only intended to put to end a litigation commenced in 1959 as soon as possible, and not to prolong it much longer, at least, not for another ten years. This Court deems it equitable for both parties if the contract price be paid upon finality of judgment.

Lastly, it is argued that to render judgment against Macondray, Farms, Inc., and its assignee, Realty Sales Enterprise, Inc., condemning them to pay the sum of P4,250,000.00 to Petitioners, would be clearly unconscionable and illegal, if not immoral, considering that both the CFI and the Court of Appeals have determined that the property being claimed by petitioners to be part of their inheritance is distinct from the property titled in the name of Macondray.

Note that this is not exactly in accord with the tenor of the reply-letter of Realty whereby it agreed to pay P4,250,000.00 in "complete settlement of the claims, title, rights and interests of (petitioners) in and to the property subject of (litigation)," admitting thereby that the petitioners had title, rights and interests in the disputed property.

Furthermore, apart from the merits and validity of the petitioners' claim to the land, which we deem unnecessary to dwell on, it must be noted that a compromise is valid and binding on the parties, not because it is the settlement of a valid claim, but because it is the settlement of a controversy." [Hernaez v. Yan Kao, 123 Phil. 1147, L-22370 (May 27, 1966), 17 SCRA 296]. As stated in McCarthy v. Barber Steamship Lines, Inc. [45 Phil. 488 (1923)]:

It is a general rule that compromises are to be favored, without regard to the nature of the controversy compromised, and that they cannot be set aside because the event shows all the gain to have been on one side, and all the sacrifice on the other, if the parties have acted in good faith, and with a belief of the actual existence of the rights which they have respectively waived or abandoned; and if a settlement be made in regard to such subject, free from fraud or mistake, whereby there is a surrender or satisfaction, in whole or in part, of a claim upon one side in exchange for or in consideration of a surrender or satisfaction of a claim in whole in part, or of something of value, upon the other, however, baseless may be the claim upon either side or harsh the terms as to either of the parties, the other cannot successfully impeach the agreement in a court of justice. Where the compromise is instituted and carried through in good faith, the fact that there was a mistake as to the law or as to the facts, except in certain cases where the mistake was mutual and correctable as such in equity, cannot afford a basis for setting aside or defending against a suit brought thereon.

WHEREFORE, premises considered, the Resolution of the Court of Appeals dated August 2, 1977 is SET ASIDE. Realty Development Corporation is ordered to pay the petitioners the amount of FOUR MILLION TWO HUNDRED FIFTY THOUSAND (P4,250,000.00) PESOS upon finality of judgment in complete settlement of the latter's claims, titles, rights and interests in the disputed property.

SO ORDERED.

Fernan, (Chairman), and Feliciano, JJ., concur.
Gutierrez, Jr., and Bidin, JJ., no part.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.