

SPOUSES ANTONIO S. BILOG AND PRECIOSA BILOG, PETITIONERS, V. HON. PRESIDING JUDGE OF RTC BRANCH 78, CITY OF MALOLOS, BULACAN, FEEDMIX SPECIALIST, INC. II, REPRESENTED BY ACHILLE...

Ponente: DE GUIA-SALVADOR, R., J.

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DE GUIA-SALVADOR, R., J.:

Filed pursuant to Rule 65 of the 1997 Rules of Civil Procedure, the instant Petition for Certiorari[1] seeks the nullification of the Order[2] dated November 12, 2013 issued by the Regional Trial Court of Malolos City, Bulacan, Branch 78 (court a quo), in Civil Case No. 838-M-2009, which granted the Motion for Execution filed by private respondent Feedmix Specialist, Inc. II (Feedmix). The dispositive portion of the Order reads:

“WHEREFORE, it appearing from the record that [the] decision of this Court dated April 27, 2010 had already become final and executory, the “Motion for Execution” filed by the plaintiff [Feedmix], through counsel, on October 4, 2013 is hereby GRANTED. Accordingly, let a writ of execution be issued in favor of the plaintiff for the immediate execution of the above-mentioned decision.”[3]

The Facts

Private respondent Feedmix is a domestic corporation engaged in the manufacturing, processing, packing, repacking and selling of fish feeds. For the period of June to August 2007, petitioners Spouses Antonio and Preciosa Bilog (Spouses Bilog) obtained a credit term from Feedmix, which they used for purchasing fish feed for resale and use in their business of breeding tilapia.[4] Pursuant thereto, Feedmix delivered and sold on credit to the Spouses Bilog 1,792, more or less, bags of fish feeds.[5] As payment therefor, the Spouses Bilog issued a check in the amount of P969,612.00.[6] However, when Feedmix presented it for payment, the check was dishonored for the reason of “Account Closed”.[7] Feedmix thus demanded payment, but the demand went unheeded.[8]

On December 1, 2009, Feedmix, through its representative Achilles Arriaga, filed a complaint[9] before the court a quo for Sum of Money with Preliminary Attachment.

The Spouses Bilog did not file an answer.[10] Meanwhile, on March 8, 2010, Feedmix and the Spouses Bilog entered into a Compromise Agreement with the following terms and conditions, viz:

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1. “The defendants acknowledge their partial indebtedness to the plaintiff in the amount of Nine Hundred Sixty Nine Thousand Six Hundred Twelve Pesos (Php969,612.00) which is the subject of the instant case and is a part of their principal obligation of Php2,648,829 consisting of bounced checks which is a just, valid, due and demandable obligation arising from their credit purchases of its Feedmix products from the plaintiff.
2. To put an end to the instant litigation, defendants agree to settle said obligation by paying fully the said amount of Php969,612.00 in equal monthly installments for twenty-four (24) months until paid starting on

March 26, 2010.

3. To secure the full and faithful payment of the subject obligation in the manner provided above, defendants have issued twenty-four postdated checks to facilitate payment and executed a Real Estate Mortgage conveying their real estate covered by Tax Declaration No. 007-01568 of Laurel, Batangas free from liens and encumbrances.

4. Should the defendants fail to pay any of the amounts when due, the defendants agree that plaintiff will be entitled to execution on the unpaid amount and to all the claims in the complaint, i.e., payment of the balance of the amount stated in the complaint plus interest thereon at the rate of 18% per annum and another 1.5% a month as surcharge, and attorney's fees of 25% of the total sum due plus the costs of suit without further proof or proceedings and shall entitle the plaintiff to judgment and to the issuance of a writ of execution.

5. Plaintiff accepts [sic] these covenants, warranties and stipulations and in consideration of them, particularly the promise of payment, the issuance of checks and the execution of the mortgage, hereby waives, relinquishes, and renounces [sic] all its claims and causes of action stated in its complaint for the purpose of putting an end to the instant litigation.

6. Defendant hereby declares that all the stipulations have been explained to them and have fully understood their meaning and import defendant Antonio being a professional orthodontist [sic] with years of experience as such while defendant Preciosa is a business woman and a college graduate with a degree in Hotel and Restaurant Management. They further declares [sic] that they refused to be represented by counsel in the instant case and instead invoked the provisions of Section 34 Rule 138 of the Rules of Court, as amended, which authorizes a party litigant to personally conduct his litigation since the instant case is non-complicated.”[11] (Emphasis supplied)

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On April 27, 2010, the court a quo rendered a Decision[12] approving the Compromise Agreement. However, the Spouses Bilog failed to comply with its terms.[13] Hence, on July 17, 2013, Feedmix filed a Motion for Execution.[14]

In an effort to prevent the execution of the Decision, on October 4, 2013, the Spouses Bilog filed their Comment and Opposition[15] to Feedmix's Motion for Execution, alleging fraud, mistake and undue influence in the execution of the Compromise Agreement and ambiguity in the total amount Feedmix seeks to collect.[16]

On November 12, 2013, the court a quo issued the assailed Order[17] granting the Motion for Execution, ratiocinating as follows:

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“Basic is the rule that judgment based on a compromise agreement is final, unappealable, and immediately executory.

If one of the parties claims that his consent was obtained through fraud, mistake, or duress, he must file a motion with the trial court that approved the compromise agreement to reconsider the judgment and nullify or set aside said contract on any of the said grounds for annulment of contract within 15 days from notice of judgment. Under Rule 37, said party can either file a motion for new trial or reconsideration. Xxx

xxx This motion is the most plain, speedy, and adequate remedy in law to assail a judgment based on a compromise agreement which, even if it is immediately executory, can still be annulled for vices of consent or forgery.

However, the remedies can no longer be pursued by the defendant in the instant case since the judgment had

long become final and executory.

Secondly, a review of the record would show that the compromise agreement was duly signed by the parties.
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Finally, the mere fact that the Compromise Agreement favors one party does not render it invalid.” (Emphasis supplied)

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The Issues

Aggrieved, the Spouses Bilog filed the instant Petition for Certiorari,[18] urging the nullification of the assailed Order, on the ground that the Compromise Agreement was executed through fraud, mistake and undue influence.

The Spouses Bilog further assert that they were just prevailed upon to sign said agreement without fully understanding its import and contents. They were not even assisted by counsel during its signing. Furthermore, the terms of the agreement are iniquitous and unconscionable, and the total amount of their liability is unclear.[19] Both the Compromise Agreement and the Real Estate Mortgage indicate a total obligation of P2,648,829.00, whereas the complaint seeks to collect only the amount of P969,612.00, while the Demand Letter dated July 16, 2013 urges payment of the sum of P3,631,330.03.[20]

On the other hand, private respondent Feedmix maintains that the Compromise Agreement was freely and voluntarily executed by both parties with full comprehension of its import, as well as its terms and conditions. The Spouses Bilog are college graduates who had no reason not to be able to fully understand the import of the Compromise Agreement. They even refused to be assisted by a counsel during its execution. Moreover, having been approved by respondent judge after finding the terms and conditions embodied therein to be not contrary to law, morals or public policy, the Compromise Agreement has the force of law and the effect of res judicata. Lastly, Feedmix clarified the purported disparity in the total amount of petitioners' obligation, explaining that the only amount sought to be collected under the Compromise Agreement is P969,612.00, which represents the value of the unpaid merchandise.[21]

The Court's Ruling

Upon a judicious persual of the records, We find the instant Petition bereft of merit.

A compromise is a contract whereby parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.[22] Once stamped with judicial imprimatur, the compromise agreement transcends its identity as a mere contract binding only upon the parties thereto, and becomes a judgment subject to execution in accordance with the Rules,[23] bearing the force and effect of res judicata.[24] Parenthetically, the nonfulfillment of the terms and conditions embodied in the compromise agreement justifies the issuance of a writ of execution, which becomes a ministerial duty of the court,[25] enforceable by mandamus.[26] Consequently, a judgment rendered on the basis of a compromise is not appealable and is immediately executory, unless a motion is filed to set aside the compromise on the ground of fraud, mistake or duress.[27]

In the case at bar, Feedmix and the Spouses Bilog entered into a Compromise Agreement on March 8, 2010, thereby terminating the suit for Collection of Sum of Money filed by the former against the latter. The Compromise Agreement was approved by the court a quo on April 27, 2010, and, hence, became a judgment subject to execution in accordance with the Rules of Court.[28] However, the Spouses Bilog sought to prevent its execution on their contention that their consent thereto was vitiated by fraud, mistake and undue influence.

We are unswayed by the foregoing contention.

Article 2038 of the New Civil Code provides that a compromise in which there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents is voidable.[29] Accordingly, one who alleges fraud, deceit, or misrepresentation in the execution of the Compromise Agreement is bound to prove the same[30] by full, clear and convincing evidence, and not merely by a preponderance thereof.[31] Furthermore, in determining whether the consent of the contracting parties was vitiated, the courts are given wide latitude in weighing the facts or circumstances considering the age, physical infirmity, intelligence, relationship and conduct of the parties during the execution of the contract and subsequent thereto.[32] Moreover, bad faith and fraud are allegations of fact that demand clear and convincing proof. They are never presumed as they are serious accusations that can be so conveniently and casually invoked.[33]

In the case at bar, the Spouses Bilog's allegations of fraud, mistake and undue influence hardly inspire belief for being bare assertions bereft of clear and convincing proof. They failed to come up with the evidence required to substantiate such claim of vitiation of consent, and to overturn the legal presumption that private transactions have been fair and regular.[34] They failed to allege any specific act to prove any of the vices of consent that attended the execution of the Compromise Agreement. Even conceding *arguendo* that the terms of payment embodied in the Compromise Agreement are onerous or lopsided, such fact by itself does not show vitiation of consent. A compromise agreement is not rendered invalid on the simple pretext that it favors one party, or that all the gains appear to be on one side and all the sacrifices on the other.[35]

Significantly, the Spouses Bilog are professionals and college degree holders. Antonio is a dentist, while Preciosa is a businesswoman with a Degree in Hotel and Restaurant Management.[36] As highly educated people, they are presumed to understand the terms of the contract that they willingly and voluntarily signed, more so when they themselves affirmed in the same Compromise Agreement that they fully comprehended the meaning and import thereof.[37] If any of the terms were not in consonance with their expectations, they should have registered their objection and insisted on their desired provisions. That they are intimately conversant with the terms of payment indicated therein is evident from the fact that they are the same Terms and Conditions of Sale[38] embodied in the Sales and Delivery Invoices they signed as early as 2007 or three years prior to the execution of the Compromise Agreement. In particular, under the Sales and Delivery Invoices, the Spouses Bilog "are liable to pay interest on all unpaid and overdue accounts at the rate of 18% per annum and penalty surcharge of 1.5% percent a month until fully paid; and a sum equivalent to 25% of the amount due for and as attorney's fees. xxx"[39] These are the very same penalties and surcharges imposed under the Compromise Agreement.[40] It thus puzzles us that the Spouses Bilog would now claim that there was mistake and fraud in the terms of payment as stipulated in the Agreement and impugn them for being iniquitous and onerous.

In the same vein, neither can the Spouses Bilog claim that there had been a mistake as they signed the Compromise Agreement without the assistance of a lawyer. Settled is the rule that parties may enter into a compromise agreement even without the intervention of their lawyer.[41] Notably, the Spouses Bilog themselves refused to be represented by counsel, and categorically affirmed and confirmed that the stipulations in the Compromise Agreement have been explained to them, and that they understand their meaning and import.[42] Moreover, from the time of the signing of the Compromise Agreement on March 8, 2010 up to the filing of the Motion for Execution in July 17, 2013, at no instance did they object to or raise any issue regarding the terms of the Agreement.

The case of *Domingo Realty, Inc. vs. Court of Appeals*[43] elucidates the remedy/ies readily available to a party seeking to challenge a judgment based on compromise agreement that had been vitiated by fraud, mistake or duress, thus:

"If one of the parties claims that his consent was obtained through fraud, mistake, or duress, he must file a

motion with the trial court that approved the compromise agreement to reconsider the judgment and nullify or set aside said contract on any of the said grounds for annulment of contract within 15 days from notice of judgment. Under Rule 37, said party can either file a motion for new trial or reconsideration. A party can file a motion for new trial based on fraud, accident or mistake, excusable negligence, or newly discovered evidence.

On the other hand, a party may decide to seek the recall or modification of the judgment by means of a motion for reconsideration on the ground that “the decision or final order is contrary to law” if the consent was procured through fraud, mistake, or duress. Thus, the motion for a new trial or motion for reconsideration is the readily available remedy for a party to challenge a judgment if the 15-day period from receipt of judgment for taking an appeal has not yet expired.”[44] (Bold underscoring supplied for emphasis)

As underscored in *Domingo Realty, Inc.*, the motion for a new trial or motion for reconsideration is the most plain, speedy, and adequate remedy in law to assail a judgment based on a compromise agreement which, even if it is immediately executory, can still be annulled for vices of consent or forgery.

Corollarily, if the 15-day period for taking an appeal has lapsed, then the aggrieved party can avail of Rule 38 by filing a petition for relief from judgment which should be done within 60 days after the petitioner learns of the judgment, but not more than six (6) months after such judgment or final order was entered. If the court denies the petition under Rule 38, the aggrieved party cannot appeal from the order denying the petition since this is proscribed under Section 1 of Rule 41. The remedy of the party is to file a special civil action for certiorari under Rule 65 from the order rejecting the petition for relief from judgment.[45]

In the instant case, the Decision approving the Compromise Agreement was rendered on April 27, 2010. The Spouses Bilog did not file a motion for reconsideration nor a motion for new trial, let alone avail of a Petition for Relief from Judgment within the reglementary period. Instead, they waited for (3) three years after the Decision based on compromise agreement had attained finality before assailing the terms thereof via their Opposition to the Motion for Execution.

In the context of petitions for certiorari like the one at bench, grave abuse of discretion is understood to be such capricious and whimsical exercise of jurisdiction as is equivalent to lack of jurisdiction.[46] It is tantamount to an evasion of a positive duty or to virtual refusal to perform a duty enjoined by law, or to act at all in contemplation of law, as when the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility.[47] As may be clearly gleaned from the foregoing disquisition, no grave abuse of discretion amounting to lack or excess of jurisdiction may be imputed against the court a quo for granting the Motion for Execution filed by Feedmix. The Spouses Bilog miserably failed to prove clearly and convincingly the existence of any of the vices of consent that allegedly had attended the signing of the Compromise Agreement. Having made their reciprocal concessions to end the suit, and the compromise agreement being stamped with judicial imprimatur, the nonfulfillment by the Spouses Bilog of its terms clearly justifies the court a quo's issuance of the writ of execution.

WHEREFORE, premises considered, the instant Petition is hereby DISMISSED for utter lack of merit.

SO ORDERED.

Garcia and Bueser, JJ., concur.

[1] Rollo, pp. 3-10.

[2] Id., pp. 14-15.

- [3] Id., p. 15.
- [4] Id., p. 16.
- [5] Id., p. 17.
- [6] Id., p. 17; 23. Equitable-PCI Bank Check No. 0186322, postdated on December 3, 2007.
- [7] Id., pp. 17-18.
- [8] Id., p. 18; 41. A demand letter dated March 16, 2009 was sent to Preciosa Bilog, but the same was unheeded.
- [9] Id., pp. 16-20. The case was docketed as Civil Case No. 838-M-2009.
- [10] Id., p. 5.
- [11] Id., pp. 43-44.
- [12] Id., pp. 46-48.
- [13] Id., p. 50.
- [14] Id., pp. 49-50.
- [15] Id., pp. 51-54.
- [16] Id., p. 51.
- [17] Id., pp. 14-15.
- [18] Id., pp. 3-10.
- [19] Id., p. 7.
- [20] Id., p. 8.
- [21] Id., p. 60.
- [22] Anacleto vs. Twest, G.R. No. 131411, August 29, 2000, citing The New Civil Code, Article 2028.
- [23] Spouses Martir vs. Spouses Verano, G.R. No. 170395, July 28, 2006, citing Manila International Airport Authority (MIAA) v. ALA Industries Corporation, G.R. No. 147349, February 13, 2004.
- [24] Id., citing Armed Forces of the Philippines Mutual Benefit Association, Inc. vs. Court of Appeals, G.R. No. 126745, July 26, 1999.
- [25] Magbanua, et al. vs. Uy, G.R. No. 161003, May 6, 2005, citing Manila International Airport Authority v. ALA Industries Corporation, 22 SCRA 603, 609, February 13, 2004; Abinujar v. Court of Appeals, 313 Phil. 407, 413, April 18, 1995.
- [26] Valdez vs. Financiera Manila, Inc., G.R. No. 183387, September 29, 2009, citing Abinujar v. Court of Appeals, G.R. No. 104133, April 18, 1995, citing Maceda, Jr. v. Moreman Builders Co., Inc., 203 SCRA 293 (1991).
- [27] Willard B. Riano, Civil Procedure: A Restatement for the Bar, 2009, pp. 422-423; Arturo M. Tolentino, Commentaries and Jurisprudence on the Civil Code of the Philippines, 1992, p. 493.
- [28] Supra note 24, citing Abarintos v. Court of Appeals, 374 Phil. 157, 170 (1999).

[29] Article 2038. A compromise in which there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents, is subject to the provisions of article 1330 of this Code.

Article 1330. A contract where consent is given through mistake, violence, intimidation, undue influence, or fraud is voidable.

[30] Arturo M. Tolentino, Commentaries and Jurisprudence on the Civil Code of the Philippines, 1992, p. 494, citing *Rojas, et al. vs. Rumbaoa*, (C.A.) 52 Off. Gaz. 2605.

[31] *Lim, Jr. vs. San and Lo*, G.R. No. 159723, September 9, 2004, citing *Centenera v. Palicio*, 29 Phil. 470 (1915).

[32] *Id.*, citing *Rivero v. Court of Appeals, et al.*, G.R. No. L-37159, 29 November 1977.

[33] *Department of Public Works and Highways vs. Quiwa, et al.*, G.R. No. 183444, February 8, 2012, citing *Cathay Pacific Airways, Ltd. v. Spouses Vazquez*, 447 Phil. 306 (2003).

[34] RULE 131. Section 3. Disputable presumptions. — The following presumptions are satisfactory if uncontradicted, but may be contradicted and overcome by other evidence:

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(p) That private transactions have been fair and regular;

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[35] *Domingo Realty, Inc. and Ayala Steel Manufacturing Co., Inc. vs. Court of Appeals and Acero*, G.R. No. 126236, January 26, 2007, citing *Amarante v. Court of Appeals*, G.R. No. 49698, May 3, 1994. [36] *Supra* note 1, p. 44.

[37] *Id.*

[38] *Id.*, pp. 18; 24-31.

[39] *Id.*

[40] *Id.*, p. 44.

[41] *Agustin, et al. vs. Cruz-Herrera*, G.R. No. 174564, February 12, 2014, citing *J-Phil Marine Inc. and/or Candava vs. NLRC*, 583 Phil. 671, 676 (2008)); *Czarina T. Malvar vs. Kraft Food Phils., Inc., and/or Bienvenido Bautista, Kraft Foods International*, G.R. No. 183952, September 9, 2013.

[42] *Supra* note 1, p. 44.

[43] *Supra* note 36.

[44] *Ibid.*

[45] *Ibid.*,

[46] *Nepomuceno vs. Court of Appeals*, 303 SCRA 679, 682

[47] *J.L. Bernardo Construction vs. Court of Appeals*, 324 SCRA 24, 34

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