

ANTONIO BANZAGALES AND GREGORIO ABAD, PETITIONERS, VS. SPOUSES HERMINIA AND PATROCINIO GALMAN; SPOUSES REMEDIOS AND BENJAMIN MENDOZA; PASCUAL ALCARAZ; AGUSTINA MANALOTO, DECEASE...

G.R. No. L-46717. May 21, 1993

Ponente: CRUZ, J.

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CRUZ, J.:

This tangled case involves the conflicting claims of the herein petitioners to the ownership of a building allegedly constructed by them pursuant to a Memorandum of Agreement concluded with Agustina Manaloto, one of the private respondents, and of the other private respondents' right to occupy part of the said building by virtue of an earlier sublease contract signed by them, also with Manaloto. The controversy has been complicated by the death of Manaloto, who is now represented by her only heir.

In this appeal by certiorari, the petitioners allege that in its resolution dated July 29, 1977, the respondent Court of Appeals adjudicated the case even before the lower court had commenced trial; that the said court based its resolution on a compromise agreement in which the petitioners had no participation; and that the private respondents' act in filing a petition for certiorari before the Court of Appeals was improper.

The present petition seeks the reinstatement of an earlier decision promulgated on March 30, 1976, by the same Court of Appeals on the basis of the following facts:

Private respondents Patrocinio Galman, Benjamin and Remedios Mendoza and Pascual Alcaraz (the Galman group) filed a complaint (later amended) against the petitioners and their co-respondent, Agustina Manaloto, for annulment of documents, recovery of possession and damages with preliminary injunction and preliminary mandatory injunction.[1] They sought to enforce their right to occupy three store spaces in a building located on a government lot in Quiapo, Manila, pursuant to a contract of sublease they had entered into in 1961 with Manaloto, who was the lessee of the said lot. The herein petitioners claim the building was constructed at their expense by virtue of a Memorandum of Agreement concluded with Manaloto in 1972.

Before the trial, Judge Amador E. Gomez of the Court of First Instance of Manila, Branch I, issued an order on October 17, 1972, establishing a "temporary arrangement" among the parties regarding the occupancy of the disputed store spaces pending litigation whereby the Galman group would each pay the petitioners P500.00 as monthly rental and P5,500.00 as goodwill for every door.[2] After two years, herein petitioners (and Manaloto) moved to amend this arrangement by increasing the goodwill and the monthly rental. Judge Carlos L. Sundiam of the Court of First Instance of Manila, Branch 28, who took over the case after the retirement of Judge Gomez, granted the motion on January 24, 1975, increasing the goodwill to P30,000.00 and the monthly rental to P1,200.00.[3] The case was subsequently reassigned to Judge Manuel T. Reyes of the Court of First Instance of Manila, Branch 9, who further amended the October 17, 1972 order by decreasing the monthly rental to P1,000.00 and the goodwill to P25,000.00 in an order dated June 9, 1975.[4]

On August 2, 1975, the Galman group filed a petition for certiorari with the Court of Appeals praying for the annulment of Judge Sundiam's order of January 24, 1975 and Judge Reyes's order of June 9, 1975 and for the issuance of a writ of preliminary injunction to stop the sheriff from executing the said orders. They claimed that the "temporary arrangement" dictated by Judge Gomez in his October 17, 1972 order was a contract and that Judge Sundiam and Judge Reyes acted with grave abuse of discretion amounting to lack of jurisdiction in issuing their respective orders which had the effect of altering the agreement between the parties.

The Court of Appeals originally dismissed the petition and dissolved the temporary restraining order it had earlier issued against the enforcement of the challenged orders. Justice Mariano V. Agcaoili declared that the said

x x x orders are well within the jurisdiction of the lower court to promulgate inasmuch as the original order of October 17, 1972 has been issued under the direction and control of the lower court who had jurisdiction over the subject matter of the case and the parties thereto which jurisdiction continues to reside therein until the final determination of the case. Such being the case, it lies within the legal power and jurisdiction of the lower court to make subsequent amendments thereto after the parties had been duly heard and to them a more equitable and fair arrangement as warranted by conditions obtaining at the time of its amendment.

On a motion for reconsideration filed by the Galman group, however, the respondent court reversed its judgment on July 29, 1977 and enforced a "Compromise Agreement" entered into between the Galman group and Manaloto which the trial court was ordered to adopt and implement. The agreement read in full as follows:

COMPROMISE AGREEMENT

COME NOW the plaintiffs Herminia Verde Galman, Pascual Alcaraz and Remedios Mendoza and defendant Agustina Manaloto and by way of final settlement of the case agree to move the Honorable Court to render judgment on the following compromise:

1. That on the three (3) door spaces occupied by the three plaintiffs, said plaintiffs will pay Agustina Manaloto the following:
 - a. Goodwill as suggested by Judge Gomez in the sum of P11,000.00 so that the P5,000.00 already paid by them, plaintiff will pay an additional P5,000.00 which Agustina Manaloto hereby acknowledges as received by her in full;
 - b. The rental start on August 1976 shall be P1,000.00 per door space;
 - c. That this agreement is without prejudice and it shall not effect the claim for one (1) door space of Mrs. Galman which is now occupied by Antonio Banzagales;
 - d. That the amount of P20,000.00 which was given by Herminia Galman to Mrs. Agustina Manaloto in monthly amortizations of P5,000.00 the first amortizations to be due on August 1, 1978 and every succeeding month thereafter until fully paid; the parties hereby agree that no amount shall be repaid by Agustina Manaloto to Remedios Mendoza or to Loyda Justiniano (Pascual Alcaraz).
2. That Agustina Manaloto has entered into this final agreement upon the statement of Antonio Banzagales; "Sigue, hinahamon ko kayo na kumapit kina Galman at hindi ako magbibigay sa hinihingi ninyo sa akin at tignan natin kung ano ang magagawa ninyo" and as owner of the Building she hereby exercises her full right to enter into this final agreement regarding the three (3) door spaces to plaintiffs Galman, Mendoza and Alcaraz.
3. That the duration of this agreement will be for as long as this contract of Agustina Manaloto with the Bureau of Building including its extension, and the terms hereof shall be binding on all the successors-in-interest of all the plaintiffs and of the defendant Agustina Manaloto.

IN WITNESS WHEREOF, we have signed this AGREEMENT in the City of Manila, Philippines, this 27th day of November, 1976.

(Sgd.) AGUSTINA MANALOTO

Owner

(Sgd.) REMEDIOS MENDOZA

Lessee

(Sgd.) HERMINIA VERDE GALMAN

Lessee

(Sgd.) PASCUAL ALCARAZ and LOYDA

JUSTINIANO

Lessees

SIGNED IN THE PRESENCE OF:

(Sgd.) Illegible (Sgd.) Illegible

It is this decision that is challenged in this petition on the ground that the respondent court had usurped the power of the trial court to determine and establish the very issue pending before it, to wit, the legal relationship of the parties.

We have examined the records and must agree with the petitioners. A perusal of the assailed resolution shows that the Court of Appeals has, indeed, exceeded its jurisdiction.

The challenged orders were intended merely to maintain an equitable scheme regarding the use and/or possession of the store spaces in issue pending resolution of certain basic questions, among them whether the contract of lease signed by the Galman group and Manaloto in 1961 covers the building allegedly constructed by the petitioners; if it is true, as alleged, that the Galman group contributed to the cost of the building; the validity of the Memorandum of Agreement concluded, and later amended, in 1972; and the liability, if any, of Manaloto to the petitioners for the cost of the building. These questions may be answered only after trial on the merits where the parties should be given a chance to be heard and to present their respective positions.

The October 17, 1972 order of Judge Gomez was acceptable to the Galman group until the amount of the rental and the goodwill was subsequently increased. It was then that they complained by suing for certiorari with the Court of Appeals. As earlier noted, the respondent court reconsidered its decision of July 29, 1977 and adopted instead a Compromise Agreement entered into between Manaloto and the Galman group, to the total exclusion of the herein petitioners. By so doing, the respondent court in effect decided the case on the merits, thus arrogating a function pertaining only to the trial court.

The Galman group acted precipitately in filing the petition for certiorari with the Court of Appeals. Interlocutory orders, such as the orders subject of the Galman group's petition, cannot be reviewed by the appellate court until trial on the merits shall have been held and final judgment is rendered. Certiorari was clearly not the proper remedy at the time. And even if it were in fact permitted, it would nevertheless not lie because it has not been shown that the questioned orders were issued with grave abuse of discretion. The "temporary arrangement" decreed by Judge Gomez was an expedient measure intended to govern the relations of the parties pending decision of the case on the merits.

If the Court has jurisdiction over the subject matter and of the person, orders or decisions upon all questions pertaining to the cause are orders and decisions within its jurisdiction and, however irregular or erroneous they may be, they cannot be corrected by certiorari. (*Villa Rey Transit, Inc. vs. Bello*, 7 SCRA 735; *Associated Union vs. Ramolete*, 13 SCRA 582; emphasis supplied.)

x x x

A writ of certiorari, in order to succeed, must be based on jurisdictional grounds, because, as long as the respondent acted with jurisdiction any error committed by it in the exercise thereof will amount to nothing more than an error of judgment which may be reviewed or corrected only by appeal. (*Abig vs. Constantino*, L-12460, May 31, 1961, 2 SCRA 299; emphasis supplied.)

The final issue to be resolved is the enforceability of the compromise agreement applied by the respondent court in its resolution of March 30, 1976. This agreement, which was concluded by and between the Galman group and Manaloto only, declared the latter as the owner of the building where the disputed store spaces are situated and fixed the amount of the rentals and the goodwill to be paid to Manaloto. It was considered a final settlement of the case. Yet the herein petitioners, who are claiming title to the building in dispute, were not signatories of the agreement and were totally excluded therefrom.

It is axiomatic that anyone who is not a party to a contract or agreement cannot be bound by its terms. Hence, the herein petitioners, not having participated in the compromise agreement, cannot be affected by it. Article 1311(1) of the Civil Code provides that “contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law” This principle is echoed in Rule 130, Section 25, of the Rules of Court, which states that “the rights of a party cannot be prejudiced by an act, declaration, or omission of another.” *Res inter alios acta alteri nocere non debet*. There are, of course, exceptions to this rule, but none of them is present in the case at bar.

Both parties have been clamoring for a speedy settlement of the controversy, but it is not for this Court to decide it on the merits. This function belongs only to the trial court, to which the case must be returned for proper disposition.

WHEREFORE, the resolution of the respondent Court of Appeals dated July 29, 1977 is hereby SET ASIDE and its decision dated March 30, 1976, REINSTATED. This case is hereby remanded to the trial court, which is directed to hear and decide it with all possible dispatch. SO ORDERED.

Griño-Aquino, Bellosillo, and Quason, JJ., concur.

[1] Records, p. 12.

[2] *Ibid.*, pp. 93-96.

[3] *Id.*, pp. 116-119.

[4] *id.*, pp. 130-134.

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