

**ROSARIO NERI EDWARDS AND T. E. EDWARDS, PETITIONERS, VS.
JOSE ARCE AND FE CATALINA ARCE, RESPONDENTS.***G.R. No. L-6932. March 26, 1956*

Ponente: BAUTISTA ANGELO, J.

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This appeal, stems from a decision rendered in civil case No. 251 of the Court of First Instance of Misamis Oriental wherein plaintiffs, now petitioners, were ordered to execute a deed of sale in favor of defendants, now respondents, of a portion of the "Divisoria Lot" with an area of 137 square meters, without improvements, excluding an additional portion of 43 square meters, and wherein defendants were required to render an accounting of the corresponding rentals of the two portions above-mentioned to the plaintiffs in the manner and terms set forth therein, but dismissing the claim for damages set up by both parties. Plaintiffs appealed from the decision and the Court of Appeals affirmed the judgment with slight modification. Plaintiffs brought the case to us on a petition for review.

Rosario Neri was the exclusive owner of a portion of land with an area of 137 square meters and, jointly with her husband T. H. Edwards, of another portion of the same land with an area of 43 square meters, the two portions forming a lot known as the "Divisoria Lot." This lot was delivered to Jose Arce and Fe Catalina, respondents herein, sometime in 1931 for administration with the obligation to render an accounting thereof and surrender its possession to petitioners upon demand. Respondents have not rendered any accounting since October, 1946 but instead leased it to a Chinaman named Leeson Javier for a monthly rental of P160 beginning April, 1947, and so petitioners commenced this action in the Court of First Instance of Misamis Oriental seeking to recover the possession of the lot and for an accounting and liquidation of respondents administration.

Respondents admitted that the lot was delivered to them for administration in 1931 but averred that a portion of said lot with an area of 137 square meters was bought by them from petitioners sometime in 1946 for the sum of P4,000 and are therefore the owners thereof, as was declared by the same court in civil case No. 123 wherein that lot was litigated between the same parties and respondents were declared entitled to purchase it in accordance with their agreement. Respondents, therefore, claimed that petitioners should be ordered to execute in their favor a deed of conveyance of the portion of said lot with an area of 137 square meters and to pay them damages in the amount of P1,000 for their failure to execute said deed, as declared in said civil case No. 123.

Petitioners, in reply, averred that the decision in civil case No. 123 precisely negates the contention of respondents that they are the owners of a portion of the "Divisoria Lot" with an area of 137 square meters because their claim for specific performance failed when the trial court absolved petitioners from the complaint.

The question therefore to be determined hinges on the effect to be given to the decision rendered by the Court of First Instance of Misamis Oriental in civil case No. 123 on the present case which was initiated later by petitioners in the same court seeking to recover the possession of the parcel of land known as the "Divisoria Lot" and for an accounting and liquidation of respondents' administration of said property. This would require an examination of

the facts and issues involved and litigated in said case to enable us to determine the extent of the effect that said case may have, if any, on the issues involved in the present litigation.

We note that civil case No. 123 was instituted by Jose Arce and Pe Catalina, now respondents, to compel Rosario Neri Edwards and her husband, now petitioners, to execute a deed of conveyance of the whole parcel of land known as "Divisoria Lot", subject-matter of the present case.' In that case the spouses Arces claimed that they entered into a contract of sale of the land for the sum of P4,000 with the spouses Edwards under certain conditions and that, notwithstanding their compliance with said conditions and the payment made by them of the purchase price, the latter refused to execute the corresponding deed of sale. The spouses Edwards demurred to this claim alleging that, while they agreed to sell the land to the spouses Arces under the terms they had intimated, there was however no contract in writing made to that effect and that the sale was to be made under certain conditions with which the Arces failed to comply. Issues were joined and the parties presented their respective evidence. The court, after making a careful analysis of the evidence, found that the Arces are only entitled to demand the fulfillment of the contract in so far as the portion of the lot with an area of 137 square meters is concerned, without including the improvements, and not with regard to the other portion with an area of 43 square meters, and inasmuch as the complaint seeks the conveyance of the whole lot with an area of 180 square meters, together with the improvements thereon which belonged to a Chinaman, the court rendered judgment absolving the spouses Edwards from the complaint. The Arces did not appeal from this decision which became final and executory.

It is now claimed by petitioners that the decision in civil case No. 123 which became final and executory for lack of appeal, wherein they were absolved from the complaint, has the effect of *res judicata*, or *sestoppel* by judgment on the right of respondents to raise the same issue as regards the specific performance of an alleged contract of sale relative to the lot containing an area of 137 square meters for the reason that this issue was already litigated in said case and cannot now be litigated again, it appearing that that case involved the same parties, issues and subject matter as those involved" in the present case. And inasmuch as petitioners were absolved from the complaint, the only implication that can be drawn from it is that they had been freed from the effects of the alleged contract of sale now relied upon by respondents relative to the lot above adverted to.

Respondents on the other hand, contend that they can still invoke in their favor the decision in the aforesaid case No. 123 because, while petitioners were absolved from the complaint, the court, however, made a finding therein to the effect that respondents were entitled to demand the fulfillment of the contract at least in so far as the portion, of the lot containing an area of 137 square meters is concerned.

We find merit in the contention of the petitioners much as we sympathize with the plight of respondents for, while it is true that in the decision in civil case No. 123 the court made a finding that respondents were entitled to demand the fulfillment of the contract of sale regarding the portion of the lot containing an area of 137 square meters, such however is not controlling for the purpose of *res judicata* but what appears in the dispositive part of the decision. In fact, the only portion of the decision that because the subject of execution is what is. ordained or decreed in such dispositive part. Whatever may be found in the body of the decision can only be considered as part of the reasons or conclusions of the court and while they may serve as guide or enlightenment to determine the *ratio decidendi*, what is controlling is what appears in the dispositive part of the decision. Thus, in one case it was held that "The presumption of *res adjudicata* cannot be deduced from the grounds of the order, but from the *fallo* or from the dispositive part of the order, which is the real judgment in the case in litigation." (Archbishop of Manila vs. Director of Lands, 35 Phil., 339.) In another case it was also held that, "In a case decided by the court on appeal, the true judgment of legal effect is that entered by the clerk of said court pursuant to the dispositive part of its decision." (Quierrez Hermanos vs. De la Riva, 46 Phil., 827.) And the reason why the same issue

cannot be litigated again is that, "Public policy and sound practice demand that, at the risk of occasional errors, judgments of courts should become final at some definite date fixed by the law. the very object for which courts were constituted was to put an end to controversies." (Dy Cay vs. Crosafeld and O'Brien, 38 Phil., 521; Layda vs. Legaspi, 39 Phil., 83; Aquino vs. Director of Lands, 39 Phil., 850; Querido, et al. vs. Querido, L-2373, July 25, 1950.

It may be contended that the court in civil- case No. 123, committed a mistake in dismissing the case outright or in not ranking a partial adjudication in favor of respondents as regards the portion of the lot containing an area of 137 square meters in line with the finding it has made in the body of the decision, but such error, if any, cannot affect the applicability of the principle of res judicata for the same attaches even when the prior decision is erroneous. Thus, it is as well-settled rule that "a final judgment or order on the merits, rendered by a court having jurisdiction of the subject-matter and of the parties, is conclusive in a subsequent ease between the same parties and their successors in interest litigating upon the same thing and issue, regardless of how erroneous it may be." [1] (Italics supplied.)

On the other hand, the plight of respondents can only be attributed to themselves or their counsel. Knowing well that an omission has been, committed by the court, they should have filed a motion for reconsideration or appealed from its decision in order that the error or omission may be corrected, but they failed to take either action and instead allowed the decision to become final and executory. We may add that the principle of res judicata attaches even if the decision might have been reversed had an appeal been taken therefrom.

"Relief can not be granted in, a second action, either by the trial court or by the Supreme Court, when the relief sought might have been secured by an appeal in the former action. Hence, when a court, after due trial, renders judgment adjudicating the ownership of property and no appeal is taken, under the provisions of section 306 of the Code of Civil Procedure the judgment becomes final and the matter must be regarded as res adjudicata, notwithstanding the fact that, if an appeal had been taken, the judgment of the lower court might have been reversed in second instance." (Lanuza vs. Gonzalez, 17 Phil., 413; Regalado vs. Luchsinger & Co., 5 Phil., 625; Maeondray & Co. vs. Quintero, 6 Phil., 429; Tanguinlay vs. Quiros, 10 Phil., 360.)

Wherefore, the decision appealed from is reversed and a new one is hereby entered as follows: (1) ordering (respondents to return to petitioners the possession of the lot in question consisting of an area of 180 square meters, known as "Divisoria Lot"; (2) ordering respondents to pay to petitioners the amount of F80 a month from October, 1946 to the date of delivery as rental of. the portion of the lot Containing an area of 137 square meters; and (3) ordering respondents to render an accounting to petitioners of the rentals corresponding to the portion of the lot containing an area of 48 square meters from October, 1946 to the date of delivery. No pronouncement as to costs.

Parás, C. J., Bengzon, Padilla, Montemayor, Labrador, Concepcion, Reyes, J. B. L. and Endencia JJ., concur.

[1] Moran, Comments on the Rules of Court, Vol. I, 1952 ed., p. 864; See Lanuza vs. Gonzalez, 17 Phil., 413, Chereau vs. Fuentebella, 43 Phil., 216; Fernandez vs. De Castro, 48 Phil., 123; Paccial vs. Palermo, et al., 86 Phil., 297.

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