

**PHILIPPINE COMMERCIAL AND INDUSTRIAL BANK,
ADMINISTRATOR OF THE TESTATE ESTATE OF CHARLES NEWTON
HODGES, PETITIONER-APPELLANT, VS. WILLIAM PFLEIDER, AND
THE HONORABLE COURT OF A...**

G.R. No. L-28017. July 15, 1975

Ponente: ESGUERRA, J.

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ESGUERRA, J.:

Petition for review on certiorari of the decision of the Court of Appeals in its CA-G.R. No. 36224-R affirming the judgment of the Court of First Instance of Negros Occidental which declared the deed of sale between the deceased, Charles Newton Hodges, and the private respondent-appellee, William Pfleider, null and void ab initio.

As found by the Court of Appeals, the facts of the case are as follows:

"On February 6, 1941 William Pfleider, plaintiff-appellee (now Respondent-Appellee in this case at bar), in representation of the Mustavit Farm Company of which he was the president and treasurer, executed in favor of C. N. Hodges, the original defendant in this case, an instrument purporting to be a sale for the sum of JM 0,000.00 of the properties described as follows:

1. A parcel of land (Lot No. 1 - plan 11-13650 amd) situated in the sitios of Alim and Manalimsim, Barrio Hinoba-an, Municipality of Kauayan. Bounded on the NE. by public land; on the SE by property of Edward Pfleider, property claimed by Anacleto Timbrevilla, the Alim Creek and property claimed by Edward J. Pfleider, on the SW by a sea and the Manalimsim river; on the NW by the Manalimsim river, lot No. 3 and properties of Lazaro Mota (Francisco Echevarria) and Luis Manilingan. Containing an area of Two Million Five Hundred Seventeen Thousand Seven Hundred and Sixty Five (2,5 17,765) square meters more or less.

2. A parcel of land (Lot No. 3, plan 11-13650 amd) situated in sitios of Alim and Manalimsim, Barrio Hinoba-an, Municipality of Kauayan. Bounded on the NE, SE, and SW by lot No. 1 and on the NW by Manalimsim river and lot No. 1. Containing an area of One Hundred Forty Two Thousand Seven Hundred Seventy (142,770) square meters more or less. 'All lumbers that is kept at Yulo Street, Asia Lumber Yard, all Machineries, tools and etc.

'All rights, title and interest of Private Timber land permit Registration No. 221-C dated February 12, 1938, issued by the Bureau of Forestry supersedes Certificate of private Woodland Registration No. 216 issued September 13, 1913.

'Also rights, title and interests on ordinary Timber License No. No. 1X-A-261 issued by the Bureau of Forestry dated October 16, 1936, and duly renewed up to the present.

'Also all right of ways for the transportation of lumber, logs or things from the sawmill or from the concession, to the wharf or place of loading at Asia.

'One wharf (wooden pantalan. 700 ft long) at Asia, Cauayan, Occ. Negros.

'And the following properties described in the attached lists. (Exh.A).

"On February 7, 1941, or a day later, another instrument was executed by Hodges and Pfleider whereby the former leased the same properties to the latter for a period of three months at a monthly rental of P470.79 (Exh. B).

"On November 9, 1953, Hodges brought an action for recovery of possession of the two parcels, of land (lots Nos. 1 and 3, plan II-13650 amd) subject matter of the above instruments, Exhibits A and B, together with rentals and damages, for alleged breach of the lease contract Exhibit B. In said action, docketed as Civil Case No. 2860 of the Court of First Instance of Negros Occidental, Pfleider put a counterclaim for the declaration of the transaction between him and Hodges as one of loan secured by mortgage, instead of sale and lease.

"While said Civil Case No. 2860 was pending in the court below, Hodges and Pfleider executed a "Contract to Sell" dated February 23, 1954, whereby the former agreed to sell to the latter on installment basis the two parcels of land involved therein for the total price of P90,273.73 (Exh. D), Thereafter, or on August 21, 1954, Pfleider withdrew his answer with counterclaim, at the same time asking that judgment be rendered in accordance with the prayer of the complaint. Accordingly, on August 24, 1954, a decision was rendered in Civil Case No. 2860 the dispositive part of which reads as follows:

'WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant ordering the latter:

'1. To deliver or surrender the possession of the two parcels of land described in paragraph 2 of complaint;

'2. To pay the plaintiff the sum of P61,916.26 for unpaid rents up to December 31, 1953, with legal interest; likewise, to pay the plaintiff thereafter the sum of P470.79 every month, with legal interest until the possession of the said parcels of land are delivered, returned, or surrendered to the plaintiff; and

'3. To pay the plaintiff the sum of P500.00 as liquidated damages for attorney's fees, with the same rate of interest, from the date of the commencement of this action, until fully paid.

'The defendant shall pay the costs.'

"On May 1, 1958, Pfleider commenced the present action against Hodges, praying in his amended complaint as follows:

'WHEREFORE, plaintiff respectfully prays that this Honorable Court order and declare null and void the iniquitous sale of the properties by the plaintiff to the defendant and order the defendant to reconvey the title of said properties to the plaintiff; and for such other reliefs that this Honorable Court may deem just and equitable under the premises.

'PRAYER FOR ALTERNATIVE CAUSE OF ACTION.

'In the alternative, order the defendant to renew the aforementioned contract to sell on installment for 10 years with consideration based on the original amount of P10,000.00, plus the legal rate of interest of 6% from February 7, 1941, less whatever payments the plaintiff has already paid to the defendant from time to time against his original obligation; grant unto the plaintiff the costs of this litigation, and such other reliefs and remedies, legal and equitable that may be just and necessary under the premises.'

"On July 31, 1958, defendant Hodges Pfleider a motion to dismiss the complaint on the grounds, first, that the cause of action of the plaintiff, if he has any, has already prescribed or is barred by the statute of limitations, and second, that the action is barred by the judgment in Civil Case No. 2860, The court a quo, sustaining the motion to dismiss on the ground of res judicata, ordered the dismissal of the complaint on October 3, 1958. Pfleider appealed the order to the Supreme Court which rendered judgment on July 31, 1962, setting aside the order of

dismissal and remanding the case to the court a quo for further proceedings on the amended complaint (G.R. No. L-17683). Said judgment was entered by the Clerk of the Supreme Court on October 19, 1962.

"On December 25, 1962, C. N. Hodges died. At the time of his death, Hodges had not filed any answer to the complaint. However, on May 5, 1964, Atty. Leon Gellada, who had represented Hodges before his death, filed another motion to dismiss, this time on behalf of Avelina A. Magno, administratrix of the estate of Linnie Hodges (wife of C. N. Hodges), reiterating that the cause of action of the plaintiff has already prescribed. The court a quo denied this motion on August 5, 1964.

"On September 10, 1964 the PCIB, alleging that C N. Hodges Ms already dead' and that it 'had been appointed and qualified as administrator of the estate of defendant C. N. Hodges', filed a motion to be substituted as party defendant in lieu of the deceased defendant C. N. Hodges. It is noted that this motion for substitution was filed almost one year and nine months after the death of Hodges. In said motion for substitution, counsel for PCIB omitted to state when Hodges died. He also failed to state when the PCIB was appointed as administrator of the estate of Hodges. Pfleider did not oppose the motion for substitution.

"On September 12, 1964 plaintiff filed a motion to declare the defendant in default and for leave to present evidence to prove plaintiffs case. The PCIB filed its opposition to plaintiffs motion to declare defendant in default on September 18, 1964. On September 19, 1964 the Court issued an order substituting the PCIB as party defendant. On October 9, 1964, the court issued another order declaring the defendant in default and requiring the Clerk of Court to set the case for bearing. On October 14, 1964 the PCIB filed a motion to set aside (he order of default and to admit defendant's answer which was attached to said motion. On October 21, 1964. defendant PCIB filed a supplemental motion and both motions were denied by order dated November 2, 1964. Defendant's motion to reconsider the order of November 2, 1964, was denied by another order dated November 25, 1964, so defendant filed a notice of appeal from the orders dated October 9, 1964, November 2 and 25, 1964, together with the corresponding appeal bond and record on appeal. However, upon the objection of the plaintiff, the court a quo issued an order dated December 26, 1964, dismissing the appeal of the PCIB on the ground that the orders sought to be appealed are interlocutory and, therefore, not appealable.

"On December 28, 1964, the court a quo issued an order setting the case for hearing on December 29, 1964. After the hearing, which was held as scheduled and in the absence of the PCIB, decision was rendered the dispositive part of which reads as follows:

'WHEREFORE, judgment is hereby rendered for the plaintiff and against the defendant, and the deed of sale, Exh. 'A', is hereby declared null and void ab initio for being fictitious, under Art. 1409 (2) of the New Civil Code. The defendant is hereby ordered to reconvey the title over the properties in question, namely Lot No. 1 — plan II — 13650 and Lot No. 3 — plan II- 13650 of Asia, Cauayan, Negros Occidental, subject matter of the deed of sale, Exh. 'A', unto the plaintiff, with costs against the defendant.'

"On January 2, 1965, defendant PCIB filed a motion for reconsideration of the order of December 26, 1964. This was followed by a motion dated January 6, 1965, for the setting aside and/or reconsideration of the decision dated December 29, 1964. The latter motion having been denied on February 5, 1965, defendant PCIB brought this appeal (to the herein respondent Court of Appeals) x x x." (Pp. 1-7, C.A. Decision of August 17, 1967; pp. 152-158, Rollo).

The errors alleged by the Defendant-appellant, now Petitioner-appellant, to have been committed by the trial Court were held untenable by respondent Court of Appeals which decided the case in favor of plaintiff-appellee, now private respondent. The dispositive portion of the decision of the Court of Appeals reads as follows:

"WHEREFORE, judgment is hereby rendered declaring the deed of sale, Exhibit A, null and void ab initio.

Transfer Certificate of Title No. RT-6893 (33345) issued in the name of C. N. Hodges by virtue of said deed of sale Exhibit A is hereby declared null and void and ordered cancelled and the certificate of title cancelled by said Transfer Certificate of Title No. RT-6893 (33345) is hereby ordered reinstated. No pronouncement as to costs."

Hence this petition for review on certiorari wherein petitioner-appellant assigns before Us five (5) errors committed by respondent appellate court. The alleged errors, however, boil down to only one main issue on which the decision in this case depends — Whether there is res judicata that would bar the present action.

It should be noted that this case reached this Court for the first time when the trial court (Court of First Instance of Negros Occidental), then presided over by Judge Francisco Arellano, dismissed the case on the ground of res judicata; the motion for reconsideration to set aside the dismissal order was denied by the same court, and herein respondent-appellee William C. Pfeider appealed to this Court. The said appeal was docketed as G. R. No. L-17683, and in a decision promulgated on July 31, 1962, this Court said as follows:

"A study of the complaint in civil case No. 2860, reveals that it alleges the same cause of action as the complaint in the case at bar. The only question at issue, therefore, is, would the judgment in said civil case No. 2860 bar the present suit? The amended complaint contains the following express allegations:

' 10. That in 1954 when the account of plaintiff to defendant by virtue of the aforementioned lease had amounted to about P105,511.64, the defendant, in order to collect the said amount, filed Civil Case No. 2860 for Recovery of Possession, in the Court of First Instance of Negros Occidental.

'11. That because the defendant had really no intention to own and hold said properties above-described, he agreed to settle said case with the plaintiff, whereby he signed on by February 23, 1954, a contract to sell to the plaintiff on installment the above-described properties for P90,273.73, thereby substituting the aforementioned lease contract with the Contract to sell;

"The above-quoted last paragraph is an allegation that civil case No. 2860 was settled upon plaintiff Hodges' executing a contract on February 23, 1954, to sell the properties subject of the action. That settlement is also shown by the fact that, practically at the same time defendant Pfeider, in Civil Case No. 2860, withdrew his answer, and on August 21, 1954 (see Rec. on Appeal, pp. 36-37) confessed judgment in accordance with the prayer of the complaint. The judgment is dated August 24, 1954.

"Under the facts set forth above, it is evident that the original sale entered into between the parties, upon which Hodges based his action to recover the possession of the properties sold in civil case No. 2860 of the Court of First Instance of Negros Occidental, was superseded by the contract to sell executed on February 23, 1954, by Hodges in favor of Pfeider. Assuming for the sake of argument that the original action of the plaintiff to declare that the original sale of his properties in 1941 was a simulated contract to hide a usurious loan, had lapsed or is barred by the judgment rendered in said civil case No. 2860, the right of the plaintiff to demand the enforcement of the contract to sell alleged to have been executed by Hodges on February 23, 1954, (allegation expressly made in paragraph 11 of the above-quoted amended complaint) is not barred by the previous judgment rendered in civil case No. 2860. The amended complaint filed by the plaintiff in the case at bar asks that the original sale made in the year 1941 be declared to be a usurious contract of sale, or in case the same cannot be granted, that the alternative cause of action, praying for the renewal of the contract to sell executed by the defendant Hodges on February 23, 1954, be enforced. This alternative cause of action clearly is not barred by the judgment in civil case No. 2860 for it is a new cause of action that arose as a consideration for the confession of judgment in said previous case.

"FROM THE ABOVE CONSIDERATION, it is apparent that the order of the court declaring that the present

complaint of the plaintiff is barred by the decision in civil case No. 2860, is incorrect. Wherefore, the order of dismissal and the order of the court denying the motion for relief, are hereby set aside, and the case is hereby remanded to the Court of First Instance of Negros Occidental for further proceedings on the amended complaint. With costs against the defendant-appellee." (Emphasis ours) (William C. Pfleider vs. C N. Hodges, G.R. No. L-17683, July 31, 1962; 5 SCRA 804, 808-809).

It is clear from the above-quoted decision of this Court that when this same case was remanded to the trial court, it was with the express mandate that the case be tried on the allegations of the amended complaint, particularly on the alternative cause of action which prays for the renewal of the contract to sell of February 23, 1954, executed by the deceased Charles Newton Hodges covering the two parcels of land in question in favor of private respondent-appellee, William Pfleider, said contract to sell being the primary consideration for the confession of judgment that Pfleider made in Civil Case No. 2860. However, respondent-appellee disregarded the mandate of this court in G.R. No. L-17683, *supra*, and stubbornly proceeded on his old cause of action for the declaration of nullity of the original contract of sale executed in 1941, and not for the enforcement of the new contract to sell of February 23, 1954. Herein lies the error of the respondent Court of Appeals in affirming the judgment of December 29, 1964.

Everything, therefore, hinges on the resolution of the sole issue of whether or not the decision of the Court of Appeals, subject of this appeal by certiorari, is already barred by prior judgments.

Petitioner-appellant maintains that the appealed decision is already barred by the judgment in C. N. HODGES vs. WILLIAM C. PFLEIDER, docketed as Civil Case No. 2860 of the Court of First Instance of Negros Occidental, which judgment is herein below reproduced for ready reference:

"This is an action for recovery of Possession, Payment of Rentals, and Damages. Plaintiff seeks the return or delivery to him by the defendant of two (21 parcels of land and other properties described in Paragraph (2) of the complaint, and for payment of rentals amounting to P105,511.64, plus liquidated damages representing attorney's fees in the amount of P500.00. However, before this case was scheduled for hearing, plaintiff filed an amended complaint with the same year, except by that the sum representing unpaid rentals claimed by him was reduced to P61,916.26, instead of P105,511.64.

"The hearing of this case has been scheduled for the 26th of this month of August. However, on the 23rd of this month, defendant filed a pleading entitled 'Withdrawal of Answer to the Complaint and Counterclaim and Confession of Judgment.' As the caption of said pleading show, defendant withdraws his Answer with special defenses and counterclaim, thereby considering that no such responsive pleading has been filed; that he confesses judgment to the allegations contained in the plaintiffs complaint; and prays that judgment be rendered in accordance with the prayer thereof.

"The amended complaint alleges that the plaintiff is the registered owner of two parcels of land situated in the Municipality of Cauayan, Negros Occidental and covered by Transfer Certificate of Title No. 10413: that on February 7, 1941, plaintiff and defendant entered into a written agreement of lease (Annex "A"), whereby the latter leased the above-mentioned parcels of land, together with other properties enumerated in the said contract of lease for only three months at the rate of P470.79 every month, beginning February 7, 1941; that among the conditions embodied in the said lease agreement, Annex "A", the defendant will surrender the possession of the land upon the expiration of the lease, and should he fail to comply with the terms of the lease, and action is brought by plaintiff to recover possession, the defendant shall pay the plaintiff the sum of £500.00 as attorney's fees, aside from the payment of all unpaid rents in arrears; that the said rents up to and including December 31, 1953, amount to P61,916.26, which have not been paid either partially or completely by the defendant; and that in spite of repeated demands made by the plaintiff upon the defendant to deliver or surrender the possession of the leased premises and the payment of all rents and arrears, the defendant, failed and refused.

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant ordering the latter:

"1. To deliver or surrender the possession of the two parcels of land described in paragraph 2 of complaint;

"2. To pay the plaintiff the sum of P61,916.26 for unpaid rents up to December 31, 1953, with legal interest; likewise, to pay the plaintiff thereafter the sum of P470.79 every month, with legal interest until the possession of the said parcels of land are delivered, returned, or surrendered to the plaintiff; and

"3. To pay the plaintiff the sum of P500.00 as liquidated damages for attorney's fees, with the same rate of interest, from the date of the commencement of this action, until fully paid.

"The defendant shall pay the costs."

(CFI Decision dated August 24, 1954, pp. 71-73, Rollo).

The foregoing decision of the Court of First Instance of Negros Occidental was rendered on August 24, 1954, and no appeal having been taken therefrom, the same had become final when the complaint in the present case was filed in 1958 by herein private respondent-appellee. The cause of action pursued and on which the respondent court rendered its decision is the same cause of action which was litigated and passed upon by the Court of First Instance of Negros Occidental in Civil Case No. 2860, *supra*, and not a new cause of action for the enforcement of the contract to sell executed on February 23, 1954. Certainly, the declaration of nullity of the original deed of sale is already barred by the prior judgment in Civil Case No. 2860. There is, therefore, *res judicata* or estopped by judgment, because a judgment on the merit was rendered by a court of competent jurisdiction and this constitutes a bar to any future suit between the same parties or their privies upon the same cause of action, as long as said judgment remains unreversed. (Sec. 49, Rule 39, revised Rules of Court).

In the present cause all the requisites of *res judicata* are present, namely, (1) the presence of a final former judgment (which is in Civil Case No. 2860), (2) the former judgment was rendered by a court having jurisdiction over the subject matter and the parties; (3) the former judgment is a judgment on the merits; and (4) there is, between the first (Civil Case No. 2860) and the second (the case at bar) actions, identity of parties, of subject matter, and of cause of action. (See *Licup vs. Manila Railroad Co., et al.*, G. R. No. L-16196, May 30, 1961, 2 SCRA 267; *Nator et al. vs. Court of Industrial Relations, et al.*, G. R. No. L-16671, March 30, 1962, 4 SCRA 727; *Malvar, et al., vs. Pallingayan, et al.*, G. R. No. L-24736, September 27, 1966, 18 SCRA 121; *Suarez vs. Municipality of Naujan, Oriental Mindoro, et al.*, G. R. No. L-22282, November 21, 1966, 18 SCRA 682).

WHEREFORE, the appealed decision of the Court of Appeals is hereby reversed and another one is entered dismissing the case on the ground of *res judicata*.

Costs against respondent-appellee.

SO ORDERED.

Castro (Chairman), Makasiar, Munoz Palma, and Martin, JJ., concur.

Teehankee, J., is on leave.

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