

**FLORENCIO DEUDOR, ETC., ET AL., PLAINTIFFS AND APPELLANTS
VS. J. M. TUASON & CO., INC. AND GREGORIO ARANETA, INC.,
DEFENDANTS AND APPELLEES.***G.R. No. L-20105. October 31, 1963*

Ponente: CONCEPCION, J.

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This is an appeal from an order of the Court of First Instance of Manila dismissing the complaint in the case at bar, without costs.

The main facts are not disputed. On February 16, 1962, plaintiffs filed said complaint with the aforementioned court, alleging that, prior to 1885, one Telesforo Deudor was the sole owner and possessor of a parcel of land of about fifty (50) quiñones—hereinafter referred to as the property in dispute—situated in the barrios of Matalahib, Tatalon and Masambong, formerly of the Municipality of Caloocan, Rizal, now within the jurisdiction of Quezon City; that said land was covered by an "informacion posesoria" registered in the office of the Register of Deeds and Property for the then South District of Manila; that Telesfro Deudor died in 1885, leaving a son, Tomas Deudor, who succeeded in the peaceful, uninterrupted, public and adverse possession of said property, until his (Tomas') death in 1941, when his heirs, plaintiffs Florencio, Aniana, Pedro and Maria, all surnamed Deudor and hereinafter referred to as the Deudors, succeeded him in said possession; that Telesforo Deudor, during his lifetime, and, after his demise, his aforementioned heirs and successors had disposed of portions of the property in dispute in favor of other persons, whose heirs or successors in interest are the other plaintiffs herein, namely, Esteban del Rosario, Blas Fajardo, Roman de la Cruz, Juliana de la Cruz alias Juana de la Cruz, Feliciano Fulgencio, Agustin Torres, Agripino Pascual, Apolinario Misericordia and Manuel Martinez; that, during the year 1950, plaintiffs herein—namely the Deudors and their aforementioned co-plaintiffs—filed with the Court of First Instance of Rizal, Quezon City Branch, Civil Cases Q-135, Q-174, Q-177, and Q-186 of said court against J. M. Tuason & Co., Inc. (hereinafter referred to as the Tuasons) and (in case No. Q-135) Gregorio Araneta Inc. (hereinafter referred to as the Aranetas), for the annulment of a certificate of title, issued way back in 1914, in favor of the Tuasons, covering a big tract of land, including the property in dispute, as well as for the reconveyance thereof and damages; that while said cases were pending before said Court of First Instance of Quezon City, both parties entered into a compromise agreement whereby, "after examining the various documents evidencing the title" to the property in dispute, plaintiffs recognized "the complete, absolute and indefeasible title in fee simple" of the Tuasons over said property and renounced, ceded and quit claimed unto and in favor of the latter "any rights, title or interest of whatever nature" they (plaintiffs) "may have had in the past, or may ever have in and to said property in the future", and the Tuasons agreed to pay to the plaintiffs the aggregate sum of P1,201,063.00 in the manner and under the conditions set forth in said agreement; that upon receipt of P100,000.00 on account of said sum of P1,201,063.00, the plaintiffs turned over to the defendants the possession of part of the property in dispute with an area of about twenty (20) quiñones or approximately ninety (90) hectares; that, thereafter, the defendants failed and refused to pay to the plaintiffs the balance of P1,101,063.00 in

violation of the provisions of said compromise agreement; that despite the promise therein made to recognize the rights of those who bought lots from the plaintiffs, the defendants herein have in bad faith filed and still are filing ejectment proceedings against said buyers of lots; that plaintiffs did not have sufficient time to understand the contents of said compromise agreement before they consented thereto and signed the same; that said agreement should be declared null and void ab initio because of the "deceits, false and fraudulent representations, mistake and bad faith perpetrated upon the herein plaintiffs by the defendants in obtaining plaintiffs' consent and signature to the compromise agreement"; and that even if the same were valid, it should be rescinded in view of defendants failure and refusal to pay said balance of the amount stipulated in the agreement, after deducting the P100,000.00 paid to the plaintiffs, who are willing to return this amount, provided that the defendants in turn restore and deliver back the twenty (20) quiñones of land delivered to them by the plaintiffs. The latter, therefore, prayed that judgment be rendered:

"(1) Declaring that the so-called COMPROMISE AGREEMENT is null and void and of no effect having been executed through fraud, bad faith, deceit, and fake representations;

"(2) Declaring that the said COMPROMISE AGREEMENT (Annex 'A') is rescinded because of the Defendants' bad faith, failure and refusal to abide by and comply with their obligations as stipulated in said agreement;

"(3) Ordering the Defendants to return and give back to the herein Plaintiffs the ownership and possession over the twenty (20) quiñones of land received by the Defendants from the Plaintiffs, the value of which is incapable of exact pecuniary estimation at present;

"(4) Ordering the Defendants to render an Accounting of the proceeds, benefits, fruits and prompts derived by said Defendants from the sales of lots in the Twenty (20) quiñones of land owned and possessed by the Plaintiffs before the execution of the COMPROMISE AGREEMENT (Annex 'A'); the value of which is incapable of exact pecuniary estimation at present;

"(5) Ordering the Defendants that, after said accounting and after deducting the amount of P100,000.00 previously received by the Plaintiff from the Defendants, any balance in favor of the Plaintiffs be paid and turned over to the Plaintiffs at the legal rate of interest until full and complete possession is restored to the Plaintiffs;

"(6) Sentencing the Defendants to pay the Plaintiffs not less than Two Hundred Thousand (P200,000.00) Pesos as damages;

"(7) Sentencing the Defendants to pay the costs: and

"(8) Granting the Plaintiffs such other further relief as may be just, equitable and proper in the premises".

Upon service of summons, the defendants filed separate motions to dismiss for the motion that: (1) venue had been improperly laid in Manila, the land in question being located in Quezon City; (2) the complaint states no cause of action; and (3) plaintiffs' cause of action, if any, is barred by a prior judgment and by the statute of limitations. The Tuasons alleged, also, that, with respect to plaintiffs Cirilo del Rosario, Donato Fajardo, Rufino Guerrero, and Eustaquio Alquiros, there is another action between the same parties for the same cause of action. After due hearing, these motions were granted in an order dated March 24, 1962, upon the ground of improper venue and lack of cause of action. A reconsideration of this order having been denied, plaintiffs interposed the present appeal.

Plaintiffs maintain that venue had been properly laid in the Court of First Instance of Manila, because the defendants are residents of the City of Manila and the cause of action set forth in the complaint is one for rescission of contract. This pretense is untenable, for plaintiffs pray in their complaint that the defendants be

ordered to return and give back to herein plaintiffs the ownership and possession over the twenty (20) quiñones of land received by the defendants from the plaintiffs". Pursuant to Section 3 of Rule 5 of the Rules of Court and the decisions in Ruiz vs. Tuason (G. R. No. L-18692, January 31, 1963), Abao vs. Tuason (G. R. No. L-16796, January 30, 1962), Gavieres vs. Sanchez (94 Phil., 760), and Navarro vs. Lucero (52 Off. Gaz., 7246), the present action should have been instituted in the Court of First Instance of Rizal, the property in dispute being located in Quezon City, which is within the territorial boundaries of the province of Rizal.

It moreover appears from Annex 1 to the Motion to Dismiss of the Aranetas that, in G. R. No. L-13768 of this Court, between the same parties herein, we rendered a decision, on May 30, 1961, affirming certain orders of the Court of First Instance of Rizal in the aforementioned Civil Cases Nos. Q-135, Q-139, Q-174, Q-177, and Q-187 thereof, rescinding the aforementioned compromise agreement, insofar as the obligation of defendants herein to make further payments to plaintiffs herein is concerned, in view of the latter's failure to turn over to the former, within a reasonable time, as fixed by said court, the possession of the thirty (30) quiñones of the property in dispute still undelivered to the defendants. Such decision being already final, it follows that defendants therein are no longer bound to make said payments to plaintiffs herein; that defendants' failure to make such payments does not and cannot constitute a violation of said compromise agreement; and that, accordingly, plaintiffs have no cause of action against defendants herein.

It, likewise, appears, from the aforementioned decision in G. R. No. L-13768, that, before approving the compromise agreement in question and rendering a decision in conformity with the stipulations therein, on April 10, 1953, the Judge presiding the Court of First Instance of Rizal (Quezon City Branch), assumed himself personally that the parties understood the contents of said agreement; that the same was signed in the presence of the court; that the parties were then assisted by their respective counsel; and that the parties and their counsel even petitioned the court to implement the provisions of the agreement. What is more, from April 10, 1953 to January 10, 1958, or a period of approximately five (5) years, the following proceedings, among others, took place in said court, for the implementation of said agreement, to wit:

- On April 6, 1956, plaintiffs filed a motion praying that the defendants be required to pay the balance of the first installment stipulated in the agreement, after deducting certain sums advanced to the plaintiffs prior thereto. On April 13, 1956, the defendants deposited in court said balance amounting to P79,800.00, and, at the same time filed a motion and "counter-manifestation" inviting attention to the constructions existing on the undelivered portion of the thirty (30) quiñones and praying that the plaintiffs be ordered to remove such constructions within fifteen (15) days, as well as to comply strictly with their obligation to maintain the status quo with respect to said portion of thirty (30) quiñones, and to hold them liable for such damages as may result from their having granted permission to make additional constructions therein after March 16, 1953.

- Soon later, or on April 27, 1956, the defendants filed a supplemental motion and "manifestation" praying that payment of said sum of P79,800.00 to the Deudors "be withheld until after the additional 129 illegal constructions in the 30 quiñones area shall have been removed."

- Subsequently, the Tuasons filed another motion and "manifestation", dated August 8, 1956, to the effect that the number of illegal constructions on said area had increased to 165, that, meanwhile, several alleged purchasers from the Deudors, not mentioned in the annexes attached to the Compromise Agreement, had instituted Civil Cases Nos. Q-1889 and Q-1890 of the Court of First Instance of Quezon City, against the Deudors and the defendants herein, and that, in consequence of such cases, the amounts payable to the Deudors by the defendants may not be sufficient to satisfy the claims of the plaintiffs in said cases, and praying, therefore, that defendants' aforementioned "motion and counter-manifestation" and "supplemental motion and manifestation" of April 13, and 27, 1956, be resolved and that the sum of P79,800.00 be retained to answer for the claims of the alleged

purchasers not mentioned in Annexes B and C of the Compromise Agreement.

Hence, on February 28, 1957, the lower court issued an order requiring plaintiffs herein to clear and deliver to the defendants the peaceful possession of the thirty (30) quiñones in question within four (4) months and declaring that, in the event of failure on the part of the plaintiffs to comply with said order, the court shall issue such writs, orders and processes as may be necessary for the defendants to take possession of said thirty (30) quiñones.

- On April 4, 1957, the Deudors filed a motion for reconsideration, stating that their failure to make delivery of the 30 "quiñones" was not due to their fault; that the period of four (4) months given them in the order of February 28, 1957, for the delivery of said portion, is too short; that the pendency of the other cases mentioned in defendants' motion and manifestation dated August 8, 1956, rendered the aforementioned order premature; and that the Deudors are themselves entitled to an order directed to the Sheriff for the delivery to the defendants of the litigated property, and praying that said order of February 28, 1957, be so modified as to delete therefrom all references to the four-month period for this delivery of the 30 "quiñones" and to defendants' discharge from their obligations under the compromise agreement, and that the Sheriff be ordered "to clear the premises of said 30 'quiñones' of all persons unlawfully squatting on or occupying the same or portions thereof."

The Aranetas in turn, filed a motion, dated August 16, 1957, alleging, inter alia, that the Deudors had not delivered the aforementioned portion of 30 "quiñones", despite the expiration of the period of four (4) months fixed in the order of February 28, 1957, and that, owing to the failure of the Deudors to make said delivery, the construction of houses by squatters within said area had continued so unabated that, as of August 12, 1957, there were 341 constructions therein, and praying that an order be issued directing the Sheriff of Quezon City to place the defendants "in possession of the 30 'quiñones' x x x " now in the possession" of the Deudors, who were named individually in said motion.

- On January 9, 1958, plaintiffs filed a "manifestation" in which they offered to deliver to the defendants those portions of the 30 "quiñones" on which there were no actual occupants or squatters, as well as to cooperate with the defendants in pin-pointing the unoccupied and clear areas which they were ready to deliver and to join the defendants in the filing of appropriate suits for the ejectment of all persons unlawfully occupying portions of the remaining thirty (30) "quiñones" and/or handling negotiations directed to the same end.

By an order, dated January 10, 1958, the lower court denied the motion for reconsideration of the Deudors and granted said motion of the Aranetas dated August 16, 1957. This order was amended by another one, dated January 21, 1958, which suspended the resolution of said motion of the Aranetas in compliance with a writ of preliminary injunction issued by the Court of Appeals.

Thus, for a period of five (5) years, plaintiffs herein failed to assail the legality of the compromise agreement in question and even actually induced the court to believe that the agreement had been entered into by them freely and voluntarily, as well as with its full knowledge of its contents. Moreover, upon plaintiffs' motion, defendants had to pay the first installment stipulated in the compromise Agreement. Plaintiffs, likewise, urged the lower court to render a decision in conformity with said agreement and to implement the same, although the lower court refused to order the defendants to pay the balance of the amount stipulated in the compromise agreement and, instead, eventually relieved the defendants of the obligation to pay said balance upon the ground that plaintiffs had not complied with their own part of the agreement.

It is obvious from the foregoing that the question of validity of said agreement was necessarily involved in the proceedings aforementioned and that the decision and orders issued in said case G.R. No. L-13763 bar plaintiffs herein from now raising the same question in the present case.

Wherefore, the order appealed from is hereby affirmed, with costs against plaintiffs herein. It is so ordered.

Bengzon, C. J., Padilla, Bautista Angelo, Labrador, Reyes, J.B.L., Barrera, Paredes, Dizon, Regala, and Makalintal, JJ., concur.

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