

**JUAN SERRANO, PLAINTIFF AND APPELLEE, VS. FEDERICO MIAVE,
EUGENIA HIDALGO MIAVE AND CRESENTE VICTORJNO,
DEFENDANTS AND APPELANTS.**

G. R. No. L-14678. March 31, 1965

Ponente: BENGZON, C.J.

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BENGZON, C.J.:

Statement. - This is an appeal from the decision of the Court of First Instance of Quezon City in Civil Case No. Q-2487 declaring null and void: (1) the compromise agreement dated February 15, 1957; (2) the judgment of the Court of First Instance of Quezon City of February 24, 1957, approving the said agreement; (3) the order of execution of May 2, 1957; and (4) the writ of execution and the sheriff's sale of May 27, 1957, all of which are proceedings in its Civil Case No. Q-1948.

Antecedents. - On July 11, 1956, Serrano filed against the Miave spouses in the Court of First Instance of Quezon City, a complaint for specific performance and damages (Civil Case No. Q-1948). He demanded the execution by said couple of the formal deed of sale of a truck, plus the assignment of its certificate of public convenience.

Denying the material allegations of the complaint, the spouses alleged, as defense, that non-execution of the said documents was due to Serrano's failure to deliver to said spouses, a re-conditioned jeepney as part of the purchase price of the said truck. The parties attended a pre-trial, after which they submitted to the lower court a compromise agreement dated February 15, 1957, the pertinent portions of which provide;

- "1. That the purchase price of the truck in question is fixed at P5,200.00;
2. That the defendants acknowledge to have received from the plaintiff the amount of P600.00 on account of the purchase price of said truck;
3. That the plaintiff binds himself to deliver to defendants a jeepney, Eisenhower type, new motor, in good running condition, painted and with complete upholstery, to be made and taken from Francisco Shop in Zapote, Cavite, within 45 days from February 16, 1957, and Mr. Francisco, owner of the shop, should certify as to the condition of the same;[*]
4. That the defendants-spouses promise and agree to deliver to the plaintiff the papers regarding the registration of the truck in question, and to execute the corresponding deed of sale and assignment;
5. That the balance of P1,600.00 shall be paid in monthly installments of P400.00 within the first 10 days of every month to begin on April 10, 1957, and failure to pay any installment on the date due will render the entire balance due and demandable;
6. With the sale of the truck, it is also included the line or certificate of public convenience and the plaintiff will take what ever step may be necessary so that the certificate of public convenience issued in favor of the defendant be transferred to the plaintiff, and the defendants have agreed to cooperate and sign whatever document may be necessary to facilitate the transfer of the line in favor of the plaintiff;

7. That upon failure of any of the parties to comply with any of the terms and conditions stipulated herein, the necessary process may be resorted to, and should failure be on the part of the plaintiff, the corresponding writ of execution may be issued.”

On February 24, 1957, the court rendered judgment approving the said compromise agreement, and ordering the parties to abide by the terms thereof.

Implementing the said agreement, the Miave spouses executed in favor of Serrano the deed of sale over the truck for the amount of P5,200.00. Simultaneously with the execution of the deed, the certificate of public convenience was assigned. Then, to secure payment of the balance, Serrano signed a deed of chattel mortgage on the truck, in favor of the Miave spouses.

However, because Serrano did not deliver the jeepney as agreed in the compromise agreement, the spouses moved for the execution of the decision of February 24, 1957. Serrano received a copy of said motion, and hearing thereof fallowed. Execution was ordered by the court, and a writ was issued pursuant thereto. On May 13, 1957, the Sheriff of Manila issued the notice of sale of Serrano's own certificate of public convenience in Public Service Commission Case No. 79700. Serrano received a copy of this notice of sale. The Miave spouses, as highest bidders, purchased Serrano's certificate for P1,000.00 in the public sale. On June 27, 1957, they sold to Cresenta Victorino (appellant) this Public Service Commission certificate of appellee Serrano for P4,000.00.

This Case. - Consequently, on July 12, 1957, Serrano filed against the Miave spouses in the Court of First Instance of Quezon City, this Civil Case No. Q-2487. He alleged therein that when he recieved a copy of the motion for execution in Civil Case No. Q-1948, he and his lawyer immediately conferred with the spouses' attorney and obtained an assurance from the latter that the hearing of the said motion would be suspended; that when he received a copy of the notice of sale, he was surprised and once more conferred with said spouses' attorney; that as a result thereof, the sale was postponed to May 24, 1957; that because he was not able to raise the necessary amount on May 24, 1957, he sent appellants-spouses a telegram asking for postponement of the sale; that the sale took place on May 27, 1957; that he was able to return to Manila only on May 28, 1957; that upon discovery that the sale had taken place on May 27, 1957, he immediately inquired from the Public Service Commission about the status of the certificate of public convenience issued to the Miave spouses in Public Service Commission Case No. 81523; that he learned therefrom that said certificate had been cancelled and revoked as early as October 19, 1956. On the basis of these allegations, he asked that all the incidents of Civil Case No. Q-1948 be annulled, on the ground that the compromise agreement of February 15, 1957, and the judgment of the Court of February 24, 1957, in Civil Case No. Q-1948 had been procured through fraud; that on the date of said agreement (February 15, 1957), the certificate of public convenience in PSC Case No. 81523 of the Miave spouses was no longer in existence— it had already been cancelled and revoked; that this very important fact had been cancelled, which concealment rendered the said agreement void.

The lower court upheld Serrano's theory. As stated at the beginning of this decision, it annulled the compromise agreement, the judgment of the Court of First Instance approving it, the order and writ of execution and the Sheriff's sale.

Appeal. - The spouses Miave and their co-defendant Cresenta Victorino appealed to this Court contending that the lower court erred, because it is not true: (a) that the compromise agreement had no consideration; and (b) that there was fraud on the part of the said spouses in the matter of the certificate of public convenience of the truck. Furthermore, they say, the order and writ of execution and the Sheriff's sale was valid, there having been due notice of the hearing of such proceedings.

Discussion. - Basically, the lower court nullified the above-mentioned incidents of Civil Case No. Q-1948 for the

following reasons:

- a. The compromise agreement of February 15, 1957, was tainted by fraud because the Miave spouses could not, at that time, transfer the certificate of convenience, the same having been previously cancelled by the Public Service Commission.
- b. The agreement is likewise null and void because it has no consideration. The inclusion of the said certificate with the sale of the truck is the main consideration of the agreement. Its non-existence at the time of the agreement renders the latter without consideration.
- c. The order of execution is void, not only because the judgment basis thereof is void, but also because no hearing was had to ascertain the existence of an alleged breach in the agreement. The same may be said of the writ of execution and the Sheriff's sale to the spouses.
- d. Similarly, the subsequent sale by the spouses to appellant Victorino is null and void, because the former had no right whatsoever to transfer to the latter. Victorino's purchase was in a private sale and therefore not covered by the protective cloak of Article 559 of the Civil Code of the Philippines. He may, therefore, be compelled to return the said certificate to appellee without receiving reimbursement therefor from the latter. He may, however, recover the P4,000.00 he paid for said certificate from the Miave spouses who sold it to him.

Our views are these: The judgment of the lower court in Civil Case No. Q-1948 on the basis of the compromise agreement dated February 15, 1957, was "a judgment upon a compromise" - a judgment rendered with the consent of the parties for the purpose of executing a settlement of the action. It is in the nature of a contract and is in effect an admission by the parties that the judgment is a just determination of their rights on the facts of the case, had they been proved. Even more than a contract (which may be enforced by ordinary action for specific performance), the compromise agreement is part and parcel of the judgment, and may, therefore, be enforced as such by a writ of execution.[1] In fact, a compromise has upon the parties the effect and authority of *res judicata*.

But even a judicial compromise may be set aside in case of vitiated consent, such as fraud.[[2]] The question now for determination is: did the Miave spouses commit fraud?

In the original agreement of February 6, 1956, between appellee Serrano and the spouses Miave, the latter agreed to sell to the former the said truck and the certificate of public convenience involved in this case, PSC Case No. 81523. On February 10, 1956, the spouses delivered to appellee the said truck and the said certificate. From that day (until today), appellee had use of the truck. From that time, he had the opportunity to investigate the status of said certificate. Moreover, being an owner himself of a similar certificate of public convenience (issued to Serrano in PSC Case No. 79700), Serrano should have been aware of the requirements of the Public Service Commission regarding such matters. It will be recalled that appellee in Civil Case No. Q-1948 demanded that appellants-spouses execute the deed of sale of said truck and the assignment of the said certificate. The action resulted in a compromise agreement wherein among other stipulations, Serrano bound himself to first secure the approval of the transfer and assignment of said line and certificate of public convenience from the Public Service Commission at his own expense. He assumed an obligation.

Appellee was not careful. Had he exercised ordinary care, he should have sought immediately the transfer of the said certificate to his name in the Public Service Commission; had he done it soon enough, he could have known the flaw in the certificate and have it remedied. He had access to the necessary papers all the time. The certificate was with him since February 10, 1956. We do not know the reason for the certificate's cancellation. It may be due to causes traceable to his inaction; so it is not proper to ascribe concealment by the spouses of the status of the said certificate; specially because it is not proven that they knew of the cancellation. [2-a]

Had appellee acted more responsibly, he should have delivered the reconditioned jeepney and made cash

payments as stipulated in the compromise agreement. But as he did not, execution was ordered against him. Had he attended on time to the transfer of said certificate, appellee, could have discovered that the certificate had already been cancelled and revoked and could have had set up this fact as defense against execution, - but he did not.

As revealed by the records (Exh. "G"), appellee was served a copy of the motion for execution of the decision. He could have opposed the motion on the above-mentioned ground. He was also served a copy of the notice of the Sheriff's sale. There was even postponement at his request with the spouses' consent.

Having thus failed to question in time the validity of the compromise agreement, the judgment and its subsequent execution, appellee may be said to have forfeited his right to have them set aside.

It is also claimed that the compromise agreement is null and void for lack of consideration, the said certificate PSC No. 81523 having been revoked as early as October 19, 1956.

The records show that the compromise agreement is a reaffirmance of the contract to sell of February 6, 1956. It is a ratification of this original verbal agreement. There is nothing incompatible therein with the original rights and obligations of the parties under the early contract. The compromise agreement embodies the terms of payment and obligations of the parties in the contract of February, 1956. The judgment approving this agreement is a judicial record containing the original obligations of the parties concerned. There was no novation of the earlier contract; the parties assumed the terms and conditions of the original contract.[[3]] At the time of the perfection of that early contract of February 6, 1956, the truck and certificate of public convenience in PSC Case No. 81523 were existing.

Under the accepted legal principles, existence of consideration is necessary only at the time of the perfection of the contract (not after)[4] ; and insufficiency (inadequacy) of the vendor's title to the property sold is not such lack of consideration as to make the contract null and void.[5]

Bearing in mind the indifference shown by Serrano, who did not take the trouble of inquiring at the Public Service Commission about the status of the certificate until after the execution sale, the courts can not escape the conclusion, either that the certificate was not so important to the contract or that he merely made use of the revocation as a last-minute excuse for his failure to perform his part of the compromise. Anyway, there is no claim that the certificate could not be revived or a new certificate can not be obtained.

Conclusion.- For this and other reasons, we believe it was error for the lower court to annul the execution sale and the compromise on the grounds stated.

Judgment.- Wherefore, the decision appealed from is reversed in toto. The compromise agreement, the judgment on compromise, the order and writ of execution as well as the Sheriff's sale must be declared valid. Consequently, the Miave spouses acquired valid title to Serrano's certificate of public convenience sold to them in the Sheriff's sale, and the conveyance made by them to Victorino is, likewise, valid.

Bengzon, C. J., Bautista Angelo, Concepcion, Reyes, J.B.L., Barrera, Paredes, Dizon, Regala, Makalintal, Bengzon J.P. and Zaldivar, JJ., concur.

[*]Please note that a re-conditioned jeepney is part of the purchase price.

[1]See case of Tria vs. Li rag, L-13994, April 20, 1961.

[2]"Art. 2038, Civil Code of the Philippines. "

[2-a]See pp. 179-180, Record on appeal.

[3]See cases of Board of Liquidators vs. Flora, et al., 110 Phil. 482; Montelibano, et al. vs. Bacolod-Murcia Milling Co., L-15092, May 18, 1962.

[4]Art. 1352, Civil Code of the Philippines.

[5]Cases of Levy vs. Johnson, 4 Phil. 643; Puato vs. Mendoza, 64 Phil 457.

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