

**SPOUSES CENEN G. DIZON AND JULIETTE B. DIZON, PETITIONERS,
VS. THE HONORABLE COURT OF APPEALS, ANTONIO ALIWALAS,
PURISIMA A. BAIS, EDUARDO BAIS, ESPIRITA A. RASAY, AND
BIENVENID...**

G.R. No. L-44258. May 27, 1985

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This is a petition to review the decision of the Court of Appeals, now Intermediate Appellate Court, setting aside the orders of the former Court of First Instance of Rizal which, in implementing a judgment based on a compromise agreement —

1. Ordered that the notice of appeal and appeal bond be stricken from the record;
2. Declared the motion for extension of time to file record on appeal moot and academic;
3. Ordered the issuance of a writ of execution; and
4. Denied the omnibus motion to quash the writ of execution and to reconsider the earlier orders of the court.

The respondent court also ordered the trial court to review evidence in support of the private respondents' allegations in their opposition to the petitioners' motion for a writ of execution and thereafter to allow either party the right to appeal from its ruling.

Respondents Antonio Aliwalas, Purisima A. Bais, and Espirita A. Rasay are the heirs of the deceased Felicisimo Aliwalas and Elisea D. Flores whose estate was in the process of settlement in special proceedings before the then Court of First Instance of Rizal. The other respondents, Eduardo Bais and Bienvenido S. Rasay, Jr. are the respective husbands of respondents Purisima Bais and Espirita Rasay.

During the pendency of the settlement case and while the estate was still under administration, the respondent heirs entered into a contract of sale of some parcels of land belonging to the estate with the petitioners. Thus, on April 28, 1973, the respondent heirs as the vendors and the petitioners as vendees entered into a contract of Sale of four parcels of land, known as "Madrid" properties situated at Arayat, Pampanga for P59,000.00. The Madrid properties consisting of Lot Nos. 2016, 25, 39, 2544 and 13 are covered by Transfer Certificate of Title Nos. 335 and 337 of the Register of Deeds of Pampanga in the names of the heirs' predecessors-in-interest. On April 12, 1973, prior to this transaction, the same parties executed a "Deed of Provisional Sale" over several registered and unregistered lands known as the "Buracan" properties consisting of Lot Nos. 2543, 2545, 2554 and 2560 with an aggregate area of not more than 42 hectares. The parties agreed that the land would be sold at a price of P2,000.00 per hectare. This deed of provisional sale provided that the sale of the properties shall become effective upon the vendors' executing all the steps necessary to a clear, unencumbered, and legal title and upon their first executing the documents needed for the transfer of possession to the vendees. In anticipation of the second transaction two

weeks later, it was also provided that the contract would take effect upon the payment of the complete purchase price for the "Madrid" properties. The petitioners paid the amount of P54,000.00 of the P59,000.00 purchase price for the "Madrid" properties.

On June 24, 1974, the petitioners filed an action for the rescission of the two contracts of sale with damages plus the recovery of the P54,000.00 with the then Court of First Instance of Rizal.

In their complaint, the petitioners alleged that in compliance with the terms of the sale of the properties they paid the substantial amount of P54,000.00 for the "Madrid" properties but the respondents failed to deliver and transfer to the petitioners the ownership and title to the properties, and that they withheld payment of P5,000.00 balance of the agreed consideration to await the respondents' compliance with the terms of the sale.

The respondents' answer while admitting the existence of the two contracts of sale, denied any violation of its terms. The respondents alleged that under the law and the agreement between the parties, they could not be in default until the petitioners first completely paid the total purchase price of P59,000.00 of the "Madrid" properties and that they were willing and able to transfer the complete title and possession to the vendees of the "Madrid" properties free from all liens and encumbrances upon payment of the balance of P5,000.00. As regards the "Buracan" properties, the respondents alleged that the conditions found in the Deed of Provisional Sale were not fulfilled but they were ready, willing, and able to perform all their obligations under the deed once the suspensive conditions contained therein were fulfilled.

At the pre-trial conference, the parties signified their intention to put an end to the litigation by entering into an amicable settlement. Hence, on December 12, 1974, the parties assisted by their respective counsel, executed a Compromise Agreement, which reads:

"1. The parties agree that the defendants have sold the 'MADRID' property to the plaintiffs for a total price of P59,000.00;

"2. That the plaintiffs have paid defendants a total of P54,000.00 thus leaving a balance of P5,000.00 as far as the 'MADRID' property is concerned;

"3. That the plaintiffs will pay the defendants the balance of P5,000.00 as soon as the title to the property is changed to the names of the herein defendants;

"4. That the defendants shall have a period of sixty (60) days from the approval of the compromise agreement within which to work for the transfer of the 'MADRID' property to their names;

"5. That the taxes for the 'MADRID' property for the years 1973 and 1974 shall be borne by both the plaintiffs and the defendants on a fifty-fifty (50-50) basis;

"6. That the defendants agree to sell their share of five-seventh (5/7) of the 'BURACAN' property to the plaintiffs at an agreed price of P2,000.00 per hectare;

"7. That the plaintiffs give the defendants a period of six (6) months from the approval of the Compromise Agreement within which to consolidate the title of the 'BURACAN' property in their names; meanwhile, plaintiffs shall be allowed to develop and cultivate the 5/7 share of the property which is identified as immediately adjoining the 'MADRID' property as shown in the sketch plan, copy of which is hereto attached as Annex 'A' and made part of this Compromise Agreement;

"8. That from the total value of the 'BURACAN' property, a discount of P15,000.00 shall be given to the plaintiffs;

"9. That the cost of suit and sheriff's fees incurred by plaintiffs amounting to P4,000.00, more or less, shall be

for the account of the defendants and shall be deducted from the balance receivable by said defendants provided they are duly supported by receipts;

"10. That the balance of the purchase price of the 'BURACAN' property after all the deductions are taken shall be paid to the defendants upon the execution of the Deed of Sale of said property in favor of the plaintiffs;

"11. That the taxes on the 'BURACAN' property from the signing of this Compromise Agreement up to the time of the execution of the sale shall be for the account of the plaintiffs;

"12. That in case of failure of the defendants to abide to any of the terms of this agreement, plaintiffs shall have the right to secure ex-parte a writ of execution for the enforcement of the judgment that may be rendered in accordance herewith, in which event defendants, jointly and severally, expressly agree, by way of penalty, that the aforesaid writ of execution shall strictly be in accordance with the tenor and prayer of the complaint."

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On January 27, 1975, the court rendered a decision which recited the terms of the compromise agreement and approved them as not contrary to law, public policy, and morals and which enjoined the parties to comply strictly with the terms and conditions of their own agreement.

Six months after the approval of the compromise agreement, the petitioners filed a motion for the issuance of a writ of execution on the ground that the private respondents violated the agreement when they failed to comply with Sections 4 and 7 which provide that the private respondents were given a period of sixty (60) days from its approval within which to work for the transfer of the "Madrid" property to their names and a period of six (6) months also from its approval within which to consolidate the title of the "Buracan" property in their names.

At the hearing conducted on August 11, 1975, the private respondents declared their willingness to comply with the terms and conditions of the compromise agreement but they presented problems which they claimed were keeping them from complying with their prestations. They asked for three weeks within which to perform their obligations. The court granted them one month. The hearing on the motion for the writ of execution was reset to September 15, 1975.

At the hearing on September 15, 1975, the private respondents filed another motion that they be given five (5) days within which to file an opposition to the petitioners' motion. The extension was granted and the parties agreed that after the submission of the opposition, the motion for the writ of execution would be submitted for resolution.

On October 1, 1975, the court, after considering the written opposition filed by the private respondents and a reply filed by the petitioners issued its order granting the writ of execution. The writ was issued on October 14, 1975, together with the appointment of a special sheriff to enforce it.

On October 20, 1975, the private respondents filed a notice of appeal and appeal bond, accompanied by a motion for extension of time to file record on appeal.

On October 23, 1975, the petitioners filed a motion to strike out notice of appeal, appeal bond, and motion for extension of time to file record on appeal.

On October 28, 1975, the court issued an order directing that the notice of appeal and appeal bond be stricken off the records.

On November 11, 1975, the private respondents filed an omnibus motion to quash the writ of execution, to hold in abeyance the enforcement of said writ of execution, and to reconsider the orders dated October 1, 1975 and October 28, 1975. This motion was denied by the trial court.

The private respondents went to the Court of Appeals with a petition for certiorari, prohibition and mandamus with prayer for a writ of preliminary injunction seeking the nullification of the trial court's orders. As earlier stated, the petition was granted by the appellate court thus leading the petitioners to challenge it in the instant petition.

The petitioners allege that the respondent court committed the following errors:

I

THE RESPONDENT COURT OF APPEALS ERRED IN HOLDING THAT UNDER THE TERMS OF THE COMPROMISE AGREEMENT, ANNEX 'C' HEREOF, PRIVATE RESPONDENTS WERE NOT BOUND TO TRANSFER THE TITLES OF THE PROPERTIES IN PETITIONERS' NAMES.

II

THE RESPONDENT COURT OF APPEALS ERRED IN HOLDING THAT THE TERMS OF JUDGMENT ARE NOT CLEAR AND THERE IS ROOM FOR INTERPRETATION, NOTWITHSTANDING THE EXPRESS INTENTION OF THE PARTIES THERE-TO TO CONSTITUTE A SALE OF REAL ESTATE.

III

THE RESPONDENT COURT OF APPEALS ERRED IN FAILING TO CONSIDER THE REASON BEHIND THE EXECUTION OF THE COMPROMISE AGREEMENT, ANNEX 'C' HEREOF, WHEN IT DECIDED THE PETITION.

IV

THE RESPONDENT COURT OF APPEALS ERRED IN ANNULING THE ORDER OF EXECUTION OF OCTOBER 1, 1975, ANNEX 'G' HEREOF, THEREBY IMPLYING THAT THERE WAS NO VIOLATION COMMITTED BY PRIVATE RESPONDENTS TO THE CONDITIONS OF THE JUDGMENT.

V

THE RESPONDENT COURT OF APPEALS ERRED AND/OR MISAPPLIED THE DOCTRINE IN 'COTTON V. ALMEDA-LOPEZ, 3 SCRA 51.'

VI

THE RESPONDENT COURT OF APPEALS ERRED WHEN IT DIRECTED THE TRIAL COURT TO RECEIVE EVIDENCE ON THE ALLEGATIONS OF PRIVATE RESPONDENTS' OPPOSITION, ANNEX 'G' HEREOF.

VII

THE RESPONDENT COURT OF APPEALS, FINALLY ERRED IN HOLDING THAT PRIVATE RESPONDENTS MAY APPEAL FROM THE ORDER OF EXECUTION OF OCTOBER 1, 1975, ANNEX 'H' HEREOF.

All the alleged errors are interrelated and may be discussed together.

The main issue revolves around the interpretation of paragraphs 4 and 7 of the compromise agreement. These provisions are re-stated below:

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"4. That the defendants shall have a period of sixty (60) days from the approval of the compromise agreement within which to work for the transfer of the 'MADRID' property to their names;

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"7. That the plaintiffs give the defendants a period of six (6) months from the approval of the Compromise Agreement within which to consolidate the title of the 'BURACAN' property in their names; meanwhile, plaintiffs shall be allowed to develop and cultivate the 5/7 share of the property which is identified as

immediately adjoining the 'MADRID' property as shown in the sketch plan, copy of which is hereto attached as Annex 'A' and made part of this Compromise Agreement;

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The appellate court construed the aforesaid provisions of the compromise agreement in the following manner:

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"The compromise agreement was drawn by the lawyers of the parties and approved by the court. The compromise agreement did not state that the defendants, now petitioners, should transfer the title of the Madrid properties to their names within 60 days and then transfer the same to the plaintiffs within the same period. At the time that the compromise agreement was entered into, the title to the Madrid properties were in the names of the vendors' predecessors-in-interest, Feliciano Aliwalas and Elisea Flores. This property was under administration and the other pertinent papers were in the possession of the administratrix. The transfer of the title from the name of the deceased registered owner to the vendors was not subject to the exclusive control of the Aliwalas heirs. To cause the transfer to their names, they had to get a copy of the order of partition and such other pertinent papers which were in the possession of the administratrix. Thereafter the said papers should be filed with the Register of Deeds, and only if they were in proper form, could they be registered and title transferred to the vendors Aliwalas. This is also true with respect to the 'Buracan' property. When, therefore, the compromise agreement provided that the defendants should have a period of 60 days from the approval of the compromise agreement within which to work for the transfer of the Madrid property to their names, and 6 months within which to consolidate their title over the Buracan property, they expressly worded it that way because the parties and their lawyers knew that the most that could be expected of vendors was to work for the transfer of the title in their names. And so that the vendors would not take their good time, they were given 60 days within which to work for the transfer of the title. Only if they did not take any step or all the steps necessary for the transfer of the title can it be held that they had violated the terms of the compromise agreement. If the parties and their lawyers had intended that defendants-vendors should transfer the title to the names of the Dizons within 60 days, the compromise agreement would have expressly stated that fact.

"In any case, the terms of the judgment are not entirely clear and there is room for interpretation. The interpretation given by the respondent judge is wrong in the opinion of the defendants, and the latter should be allowed to appeal from the said order so the appellate court may pass upon the legality and correctness of the same. The respondent judge, with grave abuse of discretion, in effect denied the appeal."

The foregoing observations and conclusions of the appellate court appear to be erroneous. The petition is impressed with merit.

The private respondents do not assail the authenticity of the contract of sale of the Madrid property as well as the deed of provisional sale for the Buracan property. They recognize the two contracts and admit their receipt of the P54,000.00 as part payment for the purchase of the Madrid property. But precisely because the respondents failed to transfer the titles to the properties to them despite their having fulfilled all their obligations under the two contracts, the petitioners filed the complaint for the rescission of the contracts. In their answer, the private respondents never mentioned any difficulty in transferring the titles over the properties and, in fact, alleged their willingness to abide by the conditions of the contracts of sale.

Considering the historical background of the compromise agreement, the circumstances pointed out by the appellate court in justifying its interpretation of the compromise agreement are not supported by the records. These problems which the private respondents claim they had to contend with before they could fulfill their obligations under the compromise agreement were already present and existing at the time they entered into the compromise agreement to end the litigation.

Bearing in mind the foregoing, we are led to the inevitable conclusion that the two periods in the compromise

agreement for the private respondents to fulfill their obligations should be read as they are written. They should not be construed as dependent on all the problems which the private respondents would encounter before they would start to run.

In the case of *Labasan v. Lacuesta* (86 SCRA 16), we stated:

"1. It is a basic fundamental rule in the interpretation of a contract that if the terms thereof are clear and leave no doubt upon the intention of the contracting parties the literal meaning of the stipulation shall control (1st paragraph, Article 1281 of the Old Civil Code, now Article 1370, New Civil Code. *Azarraga v. Rodriguez*, 9 Phil. 637; *Bilang v. Erlanger & Galinger*, 66 Phil. 627; *Ordoñez v. Villaroman*, 78 Phil. 116; *Lacson v. Court of Appeals, et al.*, 109 Phil. 462; *Kasilag v. Rodriguez*, 69 Phil. 217; *Cebu Portland Cement Co. v. Dumon*, 61 SCRA 218), but when the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former. (2nd paragraph, Article 1281 of the Old Civil Code, now Article 1370, New Civil Code. *Reyes v. Limjap*, 15 Phil. 420; *Acosta v. Llacuna, et al.* 59 Phil. 540; *Aves v. Orilleneda*, 70 Phil. 262; *Borromeo v. Court of Appeals*, 47 SCRA 65).

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"2. In view of the ambiguity caused by conflicting terminologies in the document, it becomes necessary to inquire into the reason behind the transaction and other circumstances accompanying it so as to determine the true intent of the parties. Once the intent becomes clear then it shall be made to prevail over what on its face the document appears to be. Each case is to be resolved on the basis of the circumstances attending the transaction."

We note that the private respondents' alleged difficulties in transferring the titles of the properties surfaced only after the petitioners filed a motion for the issuance of a writ of execution to enforce compliance with the court's judgment. Paragraph 12 of the compromise agreement provides that in case of the respondents' failure to abide by any of the terms of the agreement, the petitioners shall have the right to secure ex-parte a writ of execution for the enforcement of the judgment that may be rendered in accordance therewith.

The court was quite liberal to the private petitioners and instead of granting the three weeks which they requested, they were granted one month to produce the titles. At the scheduled hearing, the private respondents who failed to produce the titles within the period they asked for, moved that they be given five days to file their opposition to the motion for the issuance of the writ of execution. This, again, was granted by the court. It is to be noted that the private respondents never asked for a hearing on their opposition but instead agreed that the incident be submitted for resolution thereafter.

In their opposition, the private respondents alleged that they could not fulfill their obligations under the compromise agreement for "circumstances beyond their control."

An examination of the "circumstances beyond control" shows that they are mere repetitions of matters already raised and fully considered by the court when the respondents asked for three weeks and were given one month to comply with their obligations under the compromise agreement. In fact, the trial court had already given them sufficient opportunities to present their predicament during the two previous hearings on the motion for the issuance of a writ of execution. It was fully cognizant of the reasons given for their not fulfilling what they agreed to do.

For instance, the respondents claim that the petitioners failed to pay their share of the taxes corresponding to the years 1973-1974 in contravention of paragraph 5 of the compromise agreement. The court stated:

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"Defendants also contend that plaintiffs have failed to pay their share in the taxes in violation of paragraph 5 of

the compromise agreement.

"This is of no moment. It is to be observed that on the initial date of hearing of plaintiffs' motion for execution, defendants did not interpose this defense; indeed, defendants did not raise any factual or legal issue to defeat plaintiffs' motion. Defendants only complained of difficulties in securing the titles of the properties in question for which reason the Court granted them an extension of time to produce the same and the hearing on the motion for the issuance of the writ of execution was reset to September 15, 1975. In the meantime, on August 20, 1975, defendants completed the payments to the government of the taxes for the years 1973-1974. With that payment by defendants, it was unnecessary for the plaintiffs to pay the same taxes to the government. In other words, the acts of defendants of paying to the government the entire amount due as taxes prevented the plaintiffs from paying their one-half share directly to the government. But more important, nowhere in Paragraph 5 of the compromise agreement is it stated that the plaintiffs are the ones who should tender the payment of the taxes for the years 1973-1974. What said paragraph really embodies is the proportionate share of the plaintiffs and the defendants on the taxes for the Madrid property for the year 1973-1974. Anyone of the parties to the compromise agreement may pay the taxes for the Madrid property subject, of course, to reimbursement by the other. Since the record shows that the taxes in question have really been paid by the defendants, it is only right that they should be reimbursed by the plaintiffs of their one-half share."

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There was no need for a hearing by the court to determine the veracity of the "circumstances beyond control" alleged as reasons for non-fulfillment of the respondents' obligations under the compromise agreement. The case of *Cotton v. Almeda-Lopez* (3 SCRA 51) does not apply.

We are, therefore, constrained to reverse the decision of the appellate court. The situation of the parties under the compromise agreement as envisioned by the appellate court practically leaves the performance of the private respondents' undertaking to their whim which should not be the case, otherwise the very purpose of the agreement would be frustrated.

WHEREFORE, the instant petition is hereby GRANTED. The questioned decision is REVERSED and SET ASIDE. The orders of the Court of First Instance of Rizal nullified by the Court of Appeals are REINSTATED.

SO ORDERED.

Teehankee, (Chairman), Relova, De La Fuente, and Alampay, JJ., concur.

Melencio-Herrera, J., took no part.

Plana, J., on official leave.

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