

**PEDRO MANIGQUE, ET AL., PLAINTIFFS AND APPELLANTS, VS.
CEFERINO F. CAYCO, ET AL., DEFENDANTS AND APPELLANTS.***G.R. No. L-17059. November 29, 1965*

Ponente: BAUTISTA ANGELO, J.

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Sometime on April 21, 1952, plaintiffs obtained a loan of P15,000.00 from defendants giving as security therefor a second mortgage on a parcel of land, together with a house built thereon situated at Quezon City. The first mortgage was executed in favor of the Rehabilitation Finance Corporation, now the Development Bank of the Philippines, to secure the payment of a loan which plaintiffs had previously obtained from said bank.

On June 1, 1953, plaintiffs executed in favor of defendants a deed of absolute sale of the same property in consideration of the sum of P18,000.00, plus the assumption of the first mortgage that was then existing in favor of the Development Bank of the Philippines, but two days later defendants gave the plaintiffs an option to repurchase the property until June 22, 1954 for the sum of P39,000.00. And on July 8, 1953, the same parties executed a similar sale covering the same property but with a modified area, which document was duly registered in the Office of the Register of Deeds of Quezon City.

On September 23, 1954, in view of plaintiffs' failure to redeem the property or to vacate the same notwithstanding the lapse of the period granted for such repurchase, defendants filed an action for ejectment against plaintiffs with the Municipal Court of Quezon City praying that they be placed in its possession. After plaintiffs had filed their answer, a compromise was reached whereby plaintiffs recognized the absolute ownership of defendants over the property but that in the meantime plaintiffs would remain in the premises for a period of one year subject to the payment of a monthly rental of P150.00, giving to the plaintiffs at the same time the right to repurchase the property within one year from December 10, 1954 for a consideration of P49,000.00. And on the basis of this compromise agreement the municipal court rendered judgment in accordance with its terms enjoining the parties to comply therewith strictly. Since plaintiffs failed to comply with the terms of this agreement, on February 18, 1956, upon defendants' request, a writ of execution was issued to enforce the judgment of the municipal court.

Meanwhile, plaintiffs filed on December 9, 1955 the instant action before the Court of First Instance of Quezon City praying, among other things, that they be allowed to repurchase the property in litigation for the sum of P49,000.00 within such time as the court may deem proper to fix. Against this, defendants filed a motion to dismiss alleging that the complaint (1) did not state a cause of action, and (2) is already barred by prior judgment or by the principle of *res judicata*.

After the complaint had been amended to make proper adjustment in its allegations and the parties to beimpleaded, and defendants had filed an answer reiterating the same defenses, the court *quo rendered* a decision holding that the contract entered into between the parties is merely one of mortgage and, consequently, it ordered defendants, upon payment by plaintiffs of the sum of P37,874.00 within a period of 90 days from receipt of the decision, to execute an absolute deed of sale in favor of Plaintiffs, and should defendants fail to do so to have the

property in question sold at public auction.

Both parties took the present appeal, plaintiffs complaining that the court a quo did not grant them the damages they claimed to be entitled to, as well as their claim for attorney's fees, while defendants complained that the court a quo did not dismiss the complaint on the ground, among others, of prior judgment or *res judicata*.

We will first take up the issue raised by defendants for the reason that, if the same is entertained, we would find no further reason to discuss the errors assigned by plaintiffs.

It should be recalled that because of plaintiffs' failure to exercise their right of redemption within the period stipulated defendants filed an action for ejectment against plaintiffs before the Municipal Court of Quezon City praying that they be placed in possession of said property and the corresponding damages awarded in their favor. Then, after plaintiffs had submitted their answer, the parties reached a compromise agreement and on the basis thereof the municipal court rendered judgment enjoining the parties to comply strictly with its terms. However, in view of plaintiffs' failure to comply with the terms of the agreement in spite of the long period that had elapsed, upon defendants' request, a writ of execution was issued ordering the enforcement of said judgment thereby indicating that the judgment became final and executory for lack of appeal on the part of the plaintiffs.

The question that now arises is: Does this judgment bar the prosecution of the present case under the principle of *res judicata*?

Our answer is in the affirmative considering that in both cases the elements constituting said principle are present, namely: identity of parties, identity of things, and identity of questions involved. Here it cannot be disputed that the parties litigating in the instant case are the same parties that were involved in the ejectment case where the compromise agreement was reached, while the property and issues settled therein are similar if not the same. And under Article 2037 of the Civil Code "a compromise has upon the parties the effect and authority of *res judicata*", with the only particularity that no execution thereof can be had except in compliance with a judicial order. As a matter of fact, "A judgment on compromise is not appealable and is immediately executory unless a motion is tiled to set aside the compromise on the ground of fraud, mistake or duress, in which event an appeal may be taken from the order denying the motion" (*De los Reyes vs. De Ugarte*, 75 Phil., 505, 507; *Enriquez vs. Padilla*, 77 Phil., 373, 377). Here no such motion was filed. Hence, it is clear that the present case has no further reason to exist as it would only encourage duplicity of action.

The claim that the judgment rendered by the municipal court is a nullity because it had no jurisdiction to pass upon the issue of ownership invoked in the litigation is untenable for the simple reason that no such action was taken by the Court because it merely gave its approval to the settlement reached by the parties. In fact, the court did not decide any issue of fact or of law but merely gave sanction to the agreement of the parties. And this judgment is now final for lack of appeal on the part of either of them.

Neither do we find tenable the contention that the judgment rendered by the municipal court is not a decision in contemplation of law simply because it does not contain any finding of fact or law, for the reason that, when a compromise agreement is approved by a court and the same is embodied in a decision, the theory is that the court merely adapts the statement of facts and of law reached therein thereby doing nothing except to impress its approval. And this is the practice followed by this Court in a long line of decisions (*Palarca vs. Restituta Boral de Anzon, et al.*, 110 Phil., 194; *Enriquez vs. Padilla, supra*; *Kivero vs. Rivero*, 59 Phil., 15).

As to the claim that the compromise agreement was vitiated by duress because plaintiffs were constrained to agree to it only because of pressure, harassment and humiliation, this much we can say: plaintiffs had recognized all along that they were merely lessees of the property even to the extent of defaulting in the payment of the rentals

agreed upon. As a matter of fact, they had executed a deed of sale with assumption of first mortgage in favor of defendants which they confirmed in a subsequent deed executed on July 8, 1953. And though as a courtesy they were given an option to redeem the property they, however, failed to do so. It is indeed preposterous to claim that they were coerced into signing the agreement which served as basis of the judgment of the municipal court.

Having reached the foregoing conclusion, we do not deem it necessary to discuss the other issues raised by both plaintiffs and defendants.

Wherefore, the decision appealed from is reversed. No costs.

Bengzon, C. J., Concepción, Reyes, J. B. L., Dizon, Regala, Makalintal, Bengzon, J. P., and Zaldivar, JJ., concur.

Judgment reversed.

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