

JESUS R. FRANCO, ET AL., PLAINTIFF AND APPELLANTS, VS. MONTE DE PIEDAD AND SAVINGS BANK, DEFENDANT AND APPELLEE.

G. R. No. L-17610. April 22, 1963

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

Appeal from an order of the Court of First Instance of Rizal (in its Civil Case No. Q-5009) granting appellee's motion to dismiss.

The antecedent facts appear in a resolution issued on 13 January 1960 by the Court of First Instance of Quezon City in Case G. L. R. O. Rec. No. 3563:

"On October 30, 1953, the spouses Jesus R. Franco and Natividad C. Torres, oppositors in this case, obtained from the petitioner Monte de Piedad & Savings Bank, a loan in the amount of P15,000.00 secured by four (4) parcels of land, three of which are located in San Francisco del Monte, Quezon City, covered by Transfer Certificates of Title Nos. 11918 and 19919 of the Land records of Quezon City, and another parcel of land located at Cavite City, covered by Transfer Certificate of Title No. T-3330 of the land records of Cavite City. From the date of the granting of the mortgage loan, the oppositors-borrower did not pay one single amortization. In view of this and after several demands, notice of foreclosure was given the mortgagors and published in the newspapers. However, upon request of mortgagor Jesus R. Franco, it was agreed to suspend the foreclosure proceedings and in view thereof, he offered to cede his mortgaged properties in payment of the mortgage obligation, which at the time reached the amount of P20,242.07. In the deed of assignment, the mortgagors were granted the right to redeem the properties within one (1) year, from July 13 1956. The period of redemption would have expired on June 13, 1957* but before that time, specifically on June 5, 1957, the mortgagor Jesus R. Franco, redeemed the property situated at Cavite City upon payment of P10,000.00 for which a deed of partial redemption was executed. It was agreed, however, that the period of redemption as regards the other property would in no way be affected. Upon request of mortgagor Jesus Franco in writing on July 8, 1957, the mortgagors were granted an extension of six (6) months from and after, July 13, 1957 within which to exercise their, right of redemption with respect to the remaining parcels of land in Quezon City, said extension to expire on January 13, 1958. On January 18, 1958, the mortgagor Jesus Franco again requested for a further extension of one (1) month to redeem his properties, which was granted by the petitioner on condition that such extension would be the last, the same to expire on February 13, 1958. Fifteen days thereafter or on February 28, 1959; mortgagor Franco again asked for another extension of one month. Because from the very beginning his account has been handled very unsatisfactorily, the petitioner denied his request for further extension."

In view of the repeated failures of the assignors (spouses Franco) to redeem the properties, the Monte de Piedad finally petitioned the Court of Quezon City, in the G.L.R O. Rec. No. 3563 case, to declare the ownership of the assigned properties consolidated in it; to order the cancellation of the titles in the name of the spouses; and the issuance of new certificates in the name of the Monte. The spouses Franco opposed the petition on the ground that their deed of cession or assignment was invalid as a pactum commissorium; but the court overruled their objection, and ordered their certificates cancelled and the issuance of new ones in the name of the Monte de

Piedad.

The foregoing order was not appealed, and ultimately became final. But before it did so, on 10 February 1960, the spouses Franco instituted the present case by a complaint alleging substantially the loan the mortgage, and the cession (assignment), with right to repurchase previously narrated; that it was the intention of the parties, at least the plaintiffs were made to understand, that the said deed of assignment was only an extension or continuation of the mortgage of the above-mentioned properties; that before and after the execution of the said deed of assignment the plaintiffs have occupied, and continued to occupy, the said properties; that on July 5, 1957, the property at Caridad, Cavite City, was redeemed by plaintiffs for P10,000, and so the property was released by defendant in their favor, thus reducing their indebtedness by 10,000; that shortly thereafter, plaintiffs made attempts to pay the balance of the mortgage indebtedness, and, secure the release of the remaining mortgage properties at San Francisco del Monte, but defendant considered itself the owner of said properties, and would only consider selling the property for not less than P20,000, although the indebtedness was reduced by payment of P10,000; and that the properties in San Francisco del Monte are valued at approximately P25,000, and its improvements, consisting of a two-story house of strong materials, one kiosk, and one shed, is valued at approximately P35,000, or a total of ,P60,000. Plaintiffs prayed for judgment declaring the deed of assignment in fact not a deed of assignment of properties With the right to repurchase, but an equitable mortgage, and that the same be foreclosed in the manner provided by law, with costs; and further relief, just and equitable.

On 6 March 1960, defendant filed a motion to dismiss the complaint on the inconsistent theories that the cause of motion is barred by a prior judgment, the same cause of action having been finally decided between the same parties in Land Registration Case No. 3563 of the Court at First Instance of Quezon City, where plaintiffs' opposition to the consolidation of title of defendant to the disputed land was overruled, and that the complaint states no cause of action because it is an action for declaratory relief under, Rule 66, Section 1, of the Rules of Court, and no such action will prosper after the subject contract or statute has been breached (Sec. 1, Rule 66).

Ten days later, plaintiffs opposed this action on the ground that the court of first instance, acting as a land registration court, because of its limited jurisdiction, could not have passed upon the issues of the present action for reformation; and that to determine the sufficiency of a cause of action, the facts-alleged must be deemed admitted true, in view of the motion to dismiss.

On 29 July 1960, the lower court dismissed the complaint in an order finding the present action to be one of declaratory relief, and barred by res judicata.

From this order of the lower court, plaintiffs appealed on questions of law, on the following points: (1) That the present action is not one for declaratory relief, but of reformation; because it prays that the deed of assignment be declared an equitable mortgage, and when so declared, that the same should be foreclosed in accordance with law, which prayer calls for performance or positive action from defendant; (2) that in opposing the petition of the defendant in the former case (No. 3563), wherein the consolidation of plaintiffs' certificates of title in defendant's name was asked, plaintiffs' ground was that the deed of assignment was in the nature of pactum, commissorium, and hence unenforceable, and that before the order of the lower court granting the consolidation became final, plaintiffs filed this action for reformation because this issue (of reformation) was not, and could not be, raised in resisting the petition of defendant for consolidation of plaintiffs' certificates of title in the court below, because of the lower court's limited jurisdiction acting as a land registration court.

The decisive question is whether this action is barred by the previous adjudication had in G.L.R.O. Eec. No. 3563. We find no reversible error in the holding of the court below that it is. The rule in this jurisdiction is that a prior decision is conclusive in a second suit, between the same parties, on the same subject-matter, and on the same

cause of action, not only as to what was expressly adjudged in the first suit but also as to all matters and defenses that could have been properly set up in the prior action. That there is, identity of parties and subject-matter in the present litigation and in the G.L.R.O. case is, not disputed; and there is also identity of causes of action, since in both suits the issue is whether the deed of assignment vested in the Monte de Piedad the ownership of the lots, situated in San Francisco del Monte. If the deed of assignment was in reality an equitable mortgage merely, the Monte de Piedad would not have been entitled to have the certificates of title transferred to its name. This claim, therefore, could have been properly interposed in the former case of consolidation of ownership; and not having been set up there, it is now barred.

Appellants Franco argue that they could not have raised the issue in the G.L.R.O. case, because a Land Registration court has no power to decide cases involving issues properly litigable in ordinary civil actions. Such is the general rule; but because in this jurisdiction it is the courts of first instance that also function as courts of land registration, our jurisprudence recognizes exceptions to the rule above-stated, where the parties have acquiesced in submitting the issues for determination in the registration proceedings, and they are given full opportunity, to present their respective sides and submit their evidence (*Aglipay vs. de los Reyes*, 107 Phil., 331, and cases cited). The appellants herein attacked the sufficiency of the deed of assignment to vest title in the Monte de Piedad, and voluntarily submitted that issue to the Registration court for decision in the preceeding case; they must, therefore, be concluded by its judgment, which has concededly become final.

Moreover, the defense that the deed of assignment was intended to be a second mortgage to secure the same loan is absurd on its face, considering that the Monte de Piedad already held a prior mortgage, and that the appellants had failed to pay a single amortization thereunder. What would have been the use of suspending foreclosure of the existing mortgage just to procure another mortgage on the very same property as security for the same loan? In view of the foregoing, the appealed order of dismissal is hereby affirmed. Costs against appellants.

Bengzon, C. J., Padilla, Bautista Angelo, Concepcion, Barrera, Paredes, Dizon, Regala and Makalintal, JJ., concur.

*Should be "July 13, 1957"—but error is included in printing of records.

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