

CIUDAD REALTY & DEV’T. CORPORATION, ELVIRA C. PATEL AND JOSE M. DRAGON, PETITIONERS, VS. THE HON. COURT OF APPEALS, MAGDIWANG REALTY CORPORATION, DOÑA JUANA DEV’T. CORP., RESPON...

G.R. No. 107888. January 04, 1994

Ponente: PUNO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-107888/>

PUNO, J.:

This is a petition for certiorari to set aside the Decision of the 13th Division of respondent Court of Appeals in CA-G.R. SP No. 28024 dated August 20, 1992.[1]

The records show that in June 1982, a complaint for rescission of contract with damages was filed by Doña Juana Development, Inc., Jose Dragon and Bayani Dragon against Elvira C. Patel and Ciudad Real Development, Inc.[2] The complaint was signed by counsel Callanta and Sansano. The Complaint alleged:

x x x

“3. That sometime on March 31, 1981, plaintiff Doña Juana and its Secretary Treasurer, Bayani M. Dragon entered into a contract with defendant Elvira C. Patel whereby the plaintiff sold its real properties consisting of One Hundred Thirty Six (sic) Two Hundred Twelve (136, 212) Square Meters at P35.00 per square meter with exception that areas to be utilized as roads and open spaces be priced at P18.00 per square meter, a copy of the sale captioned "MEMORANDUM-AGREEMENT" is hereto attached as Annex "A" and forms part of this complaint;

“4. That as per contract, the advance payment of P600,000.00 as partial consideration of said sale, defendant in 1981 made an advance payment to plaintiffs in the amount of P220,000.00 in cash and the balance of the advance partial payment of P380,000.00 were in the form of two (2) post-dated checks in the amount of P190,000.00 each dated May 30, 1981 and July 30, 1981;

“5. That from the total remaining balance of the purchase price, 40% of which shall be paid within one Hundred twenty (120) days from March 31, 1981 and the remaining 60% shall be paid within a period of (2) years from July 30, 1981;

“6. That the aforementioned two post--dated checks were not encashed as per advice of defendants;

“7. Subsequently thereafter, defendants made additional payment to plaintiffs and correspondingly making a total payment in the amount of four hundred forty nine thousand five hundred pesos (P449,500.00) and which total payment is still short of the 40% down payment as provided for their contract marked as Annex "A" of this complaint.

“8. That the aforementioned obligation of the defendant Patel is long overdue but defendant failed and refused and still fails and refuses to pay said obligations or any part thereof notwithstanding repeated demands;

“9. That defendant Patel introduced to plaintiffs herein Ciudad Real Development, Inc., to the effect that the

said defendant corporation is substantially owned by defendant Patel; the Ciudad Real will shoulder the unpaid balance including the amount covered by the (2) dishonored checks and to hasten payment, plaintiffs were convinced that the property will be used as a collateral by Ciudad Real Development Inc., for a loan being negotiated with the Development Bank of the Philippines, from which full payment of the unpaid balance shall be made;

"10. Acting in good faith and without questioning the sincerity of Patel, plaintiffs Jose M. Dragon and Bayani M. Dragon representing plaintiff Doña Juana Development, Inc., acceded to Patel's request so much so that a simulated sale of the above properties was executed between the plaintiffs and the defendant Ciudad Real Development, Inc., and as a consequence thereof Certificate of Titles were transferred to the herein defendant Ciudad Real; moreover, the purchase price was drastically reduced for reason unknown to the plaintiff. A copy of the simulated sale is hereto attached as Annex "D" and forms part of this complaint;

"11. That, defendant despite the plaintiffs' accommodation of allowing them to use the properties as collateral for the alleged D.B.P. loan and believing that the original terms and conditions of the "MEMORANDUM-AGREEMENT", deceived the plaintiffs by convincing them to conform in writing by novating the provisions of the contract which specifically changed the terms of payments and made them dependent to the D.B.P. schedule of payments on the assumption that the loan negotiated shall be approved and ultimately be given to herein defendants, contrary to the original agreement and intent of the parties as provided for in the "MEMORANDUM-AGREEMENT";

"12. That due to the repeated failure of the defendant to pay the remaining balance despite repeated demands plaintiffs had suffered and will continue to suffer damages, because of the failure to make use of the purchase price money which were already allocated for payment of plaintiffs obligations in other business transactions and losses of unrealized profits on the prospective investment set were incurred;

In their Answer, Patel and Ciudad denied the material allegations of the Complaint and averred lack of cause of action.[3]

On July 18, 1989, Magdiwang Realty Corporation filed a Motion for Intervention invoking its alleged Memorandum of Agreement dated July 15, 1982 with Doña Juana Development, Inc. The pertinent terms of the Memorandum are:

"WHEREAS, the Party of the First Part have executed a Contract of Sale with Elvira C. Patel and subsequently to Ciudad Real Development Inc., the subject matter of which is the property mentioned in the first whereas clause;

WHEREAS, the Sale between Doña Juana Development Inc., and Elvira C. Patel and Ciudad de Real was not consummated due to some reasons attributable to the Ciudad Real Development Corporation and as such the Party of the Second Part, filed a Civil Case to rescind the contract mentioned in the Second Whereas clause and such case is now pending before CFI of Quezon City with Civil Case No. 235393.

WHEREAS, in the sale between Doña Juana Development Inc., and Elvira C. Patel and Ciudad Real Development Inc., the Party of the First Part has already received payments from the former, in the amount of FOUR HUNDRED FORTY EIGHT THOUSAND PESOS (P448,000.00) constituting a portion of the 40% down payment stipulated in their contract, and which the Party of the First Part have acknowledged to have received the same;

WHEREAS, the Party of the First Part has offered to sell and the Party of the Second Part has agreed to buy the said parcel of land including all its rights and interest therein under the following terms and conditions;

1)

That the agreed price for the property is Thirty Five Pesos (P35.00) per square meter, but the portion that

should be utilized for roads and open spaces is priced at Eighteen Pesos (P18.00) per square meter approximately 25% to 30% of the whole area shall be devoted to roads and open spaces;

2)

That because of pendency of a case filed by the Party of the Second Part pertaining to the property subject matter of this Memorandum of Agreement, the following are hereby agreed upon:

2.1

That the payment of the remaining balance of what was paid by Elvira C. Patel and/or Ciudad Real Development Corporation, to the Party of the First Part shall be made within 18 months from the signing of this Contract at a prorated amount for every six (6) months until fully paid. However, this payment will be applied only after the case filed by the Party of the First Part is finally terminated in court;

2.2

That in case of compromise agreement in the case filed by the Party of the First part as mentioned in Third Whereas clause, such compromise agreement shall be subject to the approval and consent of the Party of the Second Part;

2.3

That terms and conditions of this Memorandum of Agreement shall be binding to their heirs or successor in interest of the Party of the First Part;"

The Motion for Intervention was, however, denied. The denial was not appealed.

The trial of the case appears to have proceeded at snail's pace. The case was deemed submitted for decision only on April 25, 1991.

On August 27, 1991, Magdiwang Realty made a last ditch attempt to participate in the case. It filed a Motion to Substitute and/or Join as Party/Plaintiff citing again the Memorandum of Agreement dated July 15, 1982. The motion was again denied in an Order dated February 19, 1991, viz:

"x x x

"Anent MAGDIWANG REALTY DEVELOPMENT, INC.'s (1) motion for reconsideration on the Order denying its motion to intervene in this case and (2) motion to substitute and/or joint as party-plaintiff it appears that these two (2) motions are interrelated. Movant contends and it admits that sometime on July 15, 1982, DOÑA JUANA, after filing case for rescission against Ciudad Real and Elvira C. Patel, executed a Memorandum of Agreement, whereby DOÑA JUANA transferred all its rights and interests over the property subject of this case. Records disclosed that the Memorandum of Agreement just mentioned was entered into

way back July 15, 1982. In fact the same memorandum already made mention of the instant case in the third whereas clause of the same, and movant's motion for intervention was filed only seven (7) years after, more or less - or on July 18, 1989. The foregoing is indicative of movant's lack of interest in entering this case despite knowledge of its existence. Nevertheless, the Court took note of the conditions/stipulations entered into by herein movant and plaintiff but in accordance with the terms set forth in their Memorandum without necessarily impleading it in this case. In view of the circumstance obtaining in this case, the Court is of the considered view that despite the alleged transfer of interest, instant action may be continued by the original party to the exclusion of herein movant.

"In view of the foregoing, the Court DENIES movant's (MAGDIWANG) (1) motion for reconsideration on the Order denying its motion to intervene and (2) motion to substitute and/or joint as party plaintiff, for lack of merit."

This Order was not further contested by Magdiwang Realty.

The records then show that some misunderstanding developed between Jose Dragon and Atty. Renato Callanta. On February 6, 1992, Atty. Callanta submitted a Manifestation in the trial court to the effect that "Jose M. Dragon is no longer an officer nor a stockholder of plaintiff corporation. Henceforth, all manifestation or documents submitted by Jose M. Dragon will not be binding to plaintiff corporation." [4] Not to be outdone, Jose M. Dragon filed the next day, February 7, 1992, a Notice of Termination of Service of Counsel. [5] Terminated as counsel of Doña Juana Development Corporation was Atty. Callanta.

In the meanwhile, the parties in Civil Case No. Q--35393 were able to work out their differences. On March 4, 1992, Doña Juana Development Corporation, represented by Jose Dragon and Ciudad Real & Development Corporation represented by Elvira Patel, submitted a Compromise Agreement, [6] viz:

"PLAINTIFFS, and DEFENDANTS, desirous to terminate this litigation once and for all have agreed to submit this Compromise Agreement, to wit:

- The DEFENDANTS admit that out of the legal agreed purchase price of the properties in litigation there is a remaining balance of THREE MILLION SIX HUNDRED FIFTY EIGHT THOUSAND FIVE HUNDRED NINETEEN PESOS (P3,658,519.00) due to the plaintiffs;
- To liquidate the total amount due to the PLAINTIFFS from the DEFENDANTS, the DEFENDANTS shall pay to the PLAINTIFFS the total amount of THREE MILLION SIX HUNDRED FIFTY EIGHT THOUSAND FIVE HUNDRED NINETEEN (P3,658,519.00) PESOS as follows, to wit:
 - The amount of TWO HUNDRED FIFTY THOUSAND (P250,000.00) PESOS to be paid upon signing of this Compromise Agreement;
 - The amount of TWO HUNDRED FIFTY THOUSAND (P250,000.00) PESOS to be paid on or before May 6, 1992; and
 - The balance in the amount of THREE MILLION ONE HUNDRED FIFTY EIGHT THOUSAND AND (sic) NINETEEN (P3,158,519.00) to be paid on or before September 6, 1992, with interest rate of twelve (12%) percent per cent per annum;
 - The parties hereto hereby mutually agree to conduct an accounting of all payments made by virtue of this Compromise Agreement not more than thirty (30) days before the due date set for the payment of the balance mentioned in the immediately preceding sub-paragraph.
 - That the parties waive their other claims and counterclaims against each other.
 - Plaintiffs warrant their title to the properties subject of the instant case, hereby undertaking to defend the title

over the same transferred to defendant, against eviction and other questions of ownership.

- This Compromise Agreement is not contrary to law, morals, public policy or public order.

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Court that that judgment be rendered in accordance with the Compromise Agreement."

Atty. Callanta filed a Manifestation dated March 6, 1992, alleging that Jose Dragon has no authority to terminate his service, viz:[7]

"PLAINTIFF Doña Juana Development, Inc. (Doña Juana, for brevity) by counsel, unto this Honorable Court, respectfully manifest that:

- By virtue of a Memorandum Agreement dated 15 July 1982 (a copy of which is attached hereto as Annex "A"), Mr. Jose M. Dragon assigned and transferred all of his ownership rights and interests to Doña Juana in favor of Magdiwang Realty Corp., the successor-in-interest of Doña Juana;

- Mr. Jose M. Dragon, in behalf and for Doña Juana sent a NOTICE OF TERMINATION OF SERVICES OF COUNSEL dated 07 February 1992, a copy of which the undersigned has just received today by special delivery;

- As Mr. Jose M. Dragon has lost all interest whatsoever in Doña Juana, as above-described, as a direct consequence thereto, he has no authority nor even the personality to terminate the service of counsel on record in behalf of Doña Juana;

- To date, in the absence of any notice to the contrary, the undersigned is still, and continues to be the counsel on record of plaintiff Doña Juana.

WHEREFORE, premises considered, it is prayed that this manifestation be noted in the record of this case, immediately upon receipt hereof."

This was followed by a letter of the same tenor sent on March 9, 1992 to trial judge Ignacio Salvador written by a certain Marissa B. Gonzales, purporting to be a Vice President of Doña Juana Development Corporation, viz:

"Dear Judge Salvador:

Please find attached Directors' Certificate of Doña Juana Development Corporation to the effect that JOSE M. DRAGON does not carry any authority whatsoever to do anything whatsoever for and in behalf of Doña Juana Development Corporation. What he does will be in his personal capacity and does not at all carry any authority from the corporation.

"This letter to the Honorable Court has been necessitated by the reported motion submitted by Jose M. Dragon terminating the services of Atty. Renato Ma. Callanta as legal counsel of the corporation. You will note that in the attached Directors' Certificate, Jose Ma. Dragon has long been neither a stockholder, officer, director, employee nor connected with the corporation in any capacity. He is only one of the plaintiffs in the above-entitled case in his personal capacity.

"Thank you for your kind attention.

Very truly yours,

(Sgd.) MARISSA B. GONZALES
Vice-President"

On April 8, 1992, the trial court conducted a hearing[8] on the approval of the above Compromise Agreement. Jose Dragon testified on his authority to represent Doña Juana Development Corporation. He submitted the

certification issued by the SEC that as of March 4, 1992, he still holds the positions of Chairman, President and General Manager of Doña Juana Development Corporation.

The trial judge continued the hearing on April 29, 1992 as he issued the following Order:

"For a more judicious resolution on the Motion for Approval of a Compromise Agreement, set the same for another hearing to April 29, 1992 at 9:30 o'clock in the morning.

"Send proper notice to all the parties and their respective counsel including Atty. Renato Callanta who alleges that he is still the counsel of plaintiff, Doña Juana Development Inc., the notice of hearing to be served immediately by the Process Server of this Court.

SO ORDERED."

Despite the notice, Atty. Callanta did not appear in the hearing of April 29, 1992. He was instead represented by Atty. Glenda Juan Villanueva. The latter merely marked as exhibits the Manifestation of Atty. Callanta dated March 6, 1992 and the letter of Marissa Gonzales sent to the trial judge on March 9, 1992. She did not present any witness.

On April 30, 1992, the trial court rendered its Decision approving the Compromise Agreement. It held:

"x x x

"At the hearing on the Motion for Approval of the above-mentioned Compromise Agreement on April 8, 1992, counsel for the plaintiff presented as lone witness, in support of said motion, Mr. Jose M. Dragon, who testified that he is the incumbent President/Chairman of the Board and that he was duly authorized to enter into a compromise agreement with the defendant Elvira M. Patel and Ciudad Real Development Inc., as evidenced by the Secretary's Certificate (Exhibit B) dated March 2, 1992 signed by Mr. Bayani M. Dragon, Acting Corporate Secretary of Doña Juana Development Inc., certifying that at a special meeting of the Board of Directors of said corporation held on March 2, 1992, the following resolution was unanimously approved and adopted:

BOARD RESOLUTION NO. 001

Series of 1992

- To enter into any compromise agreement, sell, apply, exchange, pledge, assign, involving real property situated at Bo. Molino, Bacoar, Cavite presently known as the Ciudad Real Development Inc., in connection with the Civil Case No. Q-35393, RTC Br. 77, Quezon City;
- To hire, compensate and/or terminate the services of any lawyer or counselor of said corporation;
- To accept, execute, sign, deliver and/or undertake any supporting documents, commercial papers, negotiable instruments, mortgage contract, promissory notes, and to receive, accept, endorse and/or encash checks representing proceeds of the loan;
- To implement, comply, and/or carry on accordingly with all the terms and conditions and/or agreement, and to render decisions said Attorney-In-Fact may deem fit and proper.

Unanimously approved.

Mr. Jose M. Dragon further testified that as per certification issued by the Securities and Exchange Commission dated March 10, 1992, as of March 4, 1992 the following are members of the Board of Directors and the Officers of the Doña Juana Development Inc.:

NAME

POSITION

JOSE M. DRAGON CHAIRMAN, PRESIDENT AND GENERAL MANAGER

BAYANI M. DRAGON DIRECTOR/SECRETARY

ELISEO M. DRAGON DIRECTOR/TREASURER

AURORA D. CABRERO DIRECTOR

TRINIDAD D. GARCIA DIRECTOR

The Certification was signed by Aida S.T. Gaetos, Chief Records Division of the Securities and Exchange Commission.

Filed also with this Court is a Secretary's Certificate of Ciudad Real Development Inc., dated February 6, 1992, certifying that at the minutes of a special meeting of the Board of Directors held on March 3, 1992, Board Resolution No. 001 was unanimously approved, authorizing the chairman and President, Elvira M. Patel, to settle/enter and/or sign a Compromise Agreement in behalf of Ciudad Real Development Inc., represented by its Chairman and President, Mrs. Elvira M. Patel with Doña Juana Development Inc., represented by Mr. Jose M. Dragon, Chairman and President of the said corporation.

Plaintiff Doña Juana Development Inc. was assisted by its counsel Atty. Amado T. Ocampo, Atty. Renato Callanta, however, in his 'Manifestation' filed with this Court March 11, 1992 claims that he is still, and continues to be the counsel on record of plaintiff, Doña Juana Development.

For a more judicious resolution of the 'Motion for Approval of Compromise Agreement' this Court set said motion for another hearing on April 29, 1992 with proper notice sent to all concerned including Atty. Renato Callanta.

At the hearing on April 29, 1992, Atty. Glenda Juan Villanueva appeared in behalf of Atty. Renato Callanta and presented in opposition to the motion a letter dated March 9, 1992 (Exhibit A) Callanta, from one Marissa B. Gonzales alleged to be the Vice President of Doña Juana Development Corp. enclosing a Directors' Certificate of Doña Juana Development Corp. (Exhibit B) Callanta, to the effect that Jose Dragon does not carry any authority whatsoever to do anything whatsoever.

The Court after carefully going over the evidence presented, gives credence to the testimony of Mr. Jose M. Dragon, who testified that he is still the President of plaintiff, Doña Juana Development Corp. and that he never in any way parted with his stockholdings with plaintiff and who presented an Official Certification from the Securities and Exchange Commission that as of March 4, 1992, he is still the President of said corporation.

PREMISES CONSIDERED, the Compromise Agreement not being contrary to law, morals, good custom, public order and public policy is hereby approved and this case considered closed and terminated.

The parties are directed to comply strictly with the terms and conditions of the said Compromise Agreement.

Send copies of this Order to all concerned for their information and guidance.

SO ORDERED."

On June 2, 1992, Atty. Callanta, in representation of Doña Juana Development Corporation and Magdiwang Realty filed a petition for certiorari in the Court of Appeals.[9] On August 20, 1992, the Thirteenth Division of the respondent Court of Appeals issued its Decision reversing the trial court.[10] It held:

"x x x

As can be gleaned from the evidence presented before the respondent court, it was shown that after the Rescission case was filed against private respondents Patel and Ciudad Real, private respondent Jose Dragon, again representing Doña Juana as its President, executed a Memorandum of Agreement with petitioner Magdiwang transferring to the latter all the rights and interests of Doña Juana over the same 136,212 square meters of real property, subject of the Rescission case. Petitioner Magdiwang was aware of the Rescission case against Patel and Ciudad Real but it was agreed, to wit:

x x x x x x x x

2.2.

That in case of compromise agreement in the case filed by the Party of the First (Doña Juana) as mentioned in Third Whereas Clause, such compromise agreement shall be subject to the approval and consent of the Party of the Second Part (Magdiwang);

2.3.

That terms and conditions of this Memorandum of Agreement shall be binding to their heirs or successor in interest of the Party of the First Part;

x x x x x x x x

(p. 42, rollo).

This Agreement was likewise signed by Bayani Dragon as Secretary/Treasurer of Doña Juana. The parties therein were under obligation to comply with the terms and conditions of the Agreement which, until now, remain valid and binding. More particularly, the respondent court failed to note that in the said Memorandum of Agreement, any compromise agreement entered into by Dona Juana in the Rescission case is subject to the approval and consent of Magdiwang.

The respondent court was aware of the existence of this Agreement even before private respondents filed a motion to approve the questioned Compromise Agreement, when Magdiwang filed a Motion for Intervention in the pending Rescission case. This motion for intervention was, however, denied by the respondent court. While it is true that the allowance or disallowance of said motion is discretionary upon the trial court, it is the considered opinion of this Court that intervention should have been allowed since the movant Magdiwang had legal interest in the matter in litigation or in the success of either of the parties or any interest against both (Section 2, Rule 12). Surely, the interest which would entitle movant Magdiwang to intervene in the Rescission case is of such a direct and immediate character in that movant might gain or lose by the direct legal operation and effect of the judgment on the compromise agreement. The terms and conditions in the Compromise Agreement may not be in keeping with the terms and conditions under the Memorandum of Agreement. To deny movant to intervene in the Rescission case and require another or separate action would only mean unnecessary litigation expenses and multiplicity of suit.

It is worthy to note that about 4 months after the execution of the said Memorandum of Agreement, Jose Dragon executed a Deed of Assignment transferring and assigning to Galicano Siton all his rights and interests over any and all shares of stock with Doña Juana. Thereafter, the directors and corporate secretary of Doña Juana, in the Directors' Certificate, advised the respondent court that Jose Dragon is not in any way and not anymore connected with Doña Juana, neither as an employee, officer, stockholder nor agent or authorized party to represent or act for or in behalf of said corporation. Furthermore, the Vice-President of Doña Juana, in a letter dated March 9, 1992, likewise notified the respondent court of Jose Dragon's lack of authority. Moreover, the Compromise Agreement submitted to the court below for approval was signed by Jose Dragon assisted by one Amado Ocampo, purportedly as counsel of Doña Juana, who did not even enter his appearance therein and hence, cannot be considered the counsel of record. The respondent court failed to consider the fact that in the Directors' Certificate issued by the directors and corporate secretary of Doña Juana, they re-affirmed the appointment of Atty. Callanta as counsel of Doña Juana. Hence, it is not only the authority of Jose Dragon that is an issue below but also that of the counsel for Doña Juana. All these foregoing facts should have cautioned the respondent court against approving any compromise agreement by and between private respondents. But, these were totally ignored and disregarded by the respondent court.

The respondent court, in approving the Compromise Agreement, relied on the testimony of Jose Dragon that he is still the President of Doña Juana and never parted with his stockholdings of said corporation. It further considered the Certification issued by the Securities and Exchange Commission (SEC) to the effect that Jose Dragon, is the President of Doña Juana (7th par., p. 3, RTC-Decision, p. 70, rollo). The testimony of Jose Dragon, whose authority is being questioned is, to Our mind, self-serving. Besides, the best evidence as to whether or not Jose Dragon has parted with his stockholdings is the Deed of Assignment which he voluntarily executed on November 10, 1989 in favor of Galicano Siton. Hence, under the rules on evidence, the testimonial evidence of Jose Dragon would take a back seat in favor of a stronger documentary evidence like the Deed of Assignment. On the other hand, the SEC Certification presented by Jose Dragon enumerates the officers and board of directors of Doña Juana as per General Information Sheet which was filled up and signed by Jose Dragon himself. Again, this is self-serving. Nonetheless, this cannot be considered as evidence of his alleged authority to represent Doña Juana. Rather, it merely shows the composition of the officers and directors of said corporation."

Petitioners moved for reconsideration but to no avail.[11]

Petitioners then filed this petition for certiorari contending:

"First Ground

The Honorable Court of Appeals erred in entertaining the petition in C.A. G.R. No. 28024 for the following reasons:

- 1.1 The filing of the petition in C.A. G.R. No. 28024 is not being shown to have been authorized.
- 1.2 The Court of Appeals has no jurisdiction over Magdiwang.
- 1.3 Magdiwang has no valid cause of action.

Second Ground

The Court of Appeals erred in finding the trial court guilty of grave abuse of discretion in approving the Compromise Agreement for the following reasons:

- 2.1 The trial court was not bound to obtain first the consent of Magdiwang before it could approve the Compromise Agreement.

2.2 The alleged Deed of Assignment showing transfer of Jose M. Dragon of his shareholding in Doña Juana, does not deserve credence for being a mere xerox copy and was never presented, identified or brought to the attention of the trial court.

Third Ground

The Court of Appeals erred in annulling the judgment rendered by the trial based on the Compromise Agreement for the following reasons:

3.1 The authority of Jose Dragon to represent Doña Juana is judicially admitted and strengthened by evidence presented during the hearing for the approval of the Compromise Agreement.

3.2 The approval of the Compromise Agreement was mandatory upon the trial court.

3.3 The provisions in the Compromise Agreement are just and equitable."

We find merit in the petition.

The petition for certiorari in the respondent Court of Appeals was improperly filed by Atty. Callanta purportedly in representation of Doña Juana Development Corporation and Magdiwang Realty. The hearing of the motion to approve the Compromise Agreement on April 29, 1992 was held by the trial court precisely to determine the party truly in control and who could represent Doña Juana Development Corporation. Atty. Callanta was notified of the hearing but did not personally appear. Instead, he was represented by Atty. Villanueva who simply marked as evidence the Manifestation dated March 6, 1992 and the letter of Marissa Gonzales sent to the trial judge on March 9, 1992, as related above. These documents are worthless in view of their character as hearsay evidence. Nobody from Magdiwang Realty was called to testify about its acquisition of all the rights and interests of Doña Juana Development Corp., as alleged in the Manifestation of Atty. Callanta dated March 6, 1992. Neither was Marissa Gonzales called to the witness stand to testify about her letter of March 9, 1992. They were, therefore, correctly rejected by the trial court. In fine, Atty. Callanta failed to establish by evidence any right to represent Doña Juana Development Corporation just as he failed to disprove the controlling interest of Jose Dragon in Doña Juana Development Corporation at the time the parties concluded their Compromise Agreement. It was grave abuse of discretion on the part of the respondent appellant court to recognize the personality of Atty. Callanta to represent Doña Juana Development Corporation as counsel in light of the evidence adduced in the trial court.

Worse was the ruling of the respondent appellate court sanctioning the standing of Magdiwang Realty Corporation to join said petition for certiorari. As the records show, Magdiwang filed a Motion for Intervention on July 18, 1989 invoking its alleged Memorandum of Agreement with Doña Juana Development Corporation dated July 15, 1982. The trial court, however, denied this motion and Magdiwang did not question the ruling in the appellate court. The ruling thus, became final. After about two (2) years or on August 27, 1991, Magdiwang again filed a Motion to Substitute and/or Join as Party/Plaintiff relying on the same Memorandum of Agreement. The trial court similarly denied the motion, and the denial also attained finality as Magdiwang did not further challenge its correctness. Despite the finality of the order denying Magdiwang's intervention way back in 1989, the respondent court in its Decision of August 20, 1992 recognized the standing of Magdiwang to assail in the appellate court file Compromise Agreement. Again, this ruling constitutes grave abuse of discretion for Magdiwang was not a party in interest in Civil Case No. Q-35393.

Yet, these are not all the errors committed by the respondent court. The Decision of the respondent court reversing the trial court's approval of the parties' Compromise Agreement is not based on evidence adduced in the trial court. First, it relied on the aforementioned Memorandum of Agreement between Doña Juana and Magdiwang. This Agreement was not presented as evidence in the trial court in the hearings for the approval of the parties'

Compromise Agreement. In fact, Magdiwang relied on said Memorandum Agreement in its plea for intervention but as stressed above, its intervention was denied. It is axiomatic that a decision of a trial court cannot be reversed for its failure to consider evidence which was not even presented by the parties. Secondly, the respondent court relied on Jose Dragon's Deed of Assignment allegedly transferring to Galicano Siton all his rights and interests in Doña Juana Development Corporation. Again, a search of the records will reveal that this Deed of Assignment was not presented as evidence in the hearings of the parties' motion to approve the subject Compromise Agreement. It was procedurally unorthodox for the respondent court to take note of this alleged Deed. Thirdly, the respondent court cited the letter of Marissa Gonzales to the trial judge dated March 6, 1992 and its enclosure, to support its Decision. As we held above, this letter is hearsay and was rightly rejected by the trial court. Gonzales was not presented as a witness in the trial court and was not cross-examined by Jose Dragon's counsel. To give weight to it as did the respondent court is to deny due process to Jose Dragon. In contrast, Jose Dragon personally appeared in the hearing conducted by the trial court on April 8, 1992 and steadfastly maintained the continuance of his proprietary interest in Doña Juana Development Corporation. He also declared that he was concurrent Chairman, President and General Manager of the corporation. Instead of lending credence to his testimony as did the trial court, the respondent appellate court simplistically dismissed the same as self-serving. The ruling goes against the grain of settled jurisprudence requiring appellate courts to respect findings of fact of trial court when supported by evidence.

IN VIEW WHEREOF, the petition for certiorari is granted and the Decision of the 13th Division of the respondent Court of Appeals in CA-G.R. SP No. 28024 dated August 21, 1992 is reversed and set aside.

SO ORDERED.

Padilla, Regalado, and Nocon, JJ., concur.

Narvasa, C.J., (Chairman), no part.

[1] It reversed the Decision dated April 30, 1992 of the RTC, Br. 77, Quezon City in Civil Case No. Q-35393 approving the Compromise Agreement of the parties.

[2] Docketed as Civil Case No. Q-35393, and originally raffled to Br. IV, RTC, Q.C.

[3] Annex "E", Petition.

[4] Annex I, Comment.

[5] Annex J, Petition.

[6] Doña Juana Development Corp., was assisted by Atty. Amado T. Ocampo while Ciudad Real was assisted by Atty. Justinian Aviento.

[7] Annex L, Petition.

[8] Annex O, Petition.

[9] Docketed as CA GR No. 28024.

[10] Annex R, Petition.

[11] The motion was denied in a Resolution dated November 4, 1992.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.