SPOUSES INOCENCIO AND ADORACION SAN ANTONIO, PETITIONERS, VS. COURT OF APPEALS AND SPOUSES MARIO AND GREGORIA GERONIMO, RESPONDENTS.

G.R. No. 121810. December 07, 2001

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This is a petition for review seeking the reversal of the decision[1] dated April 28, 1995, of the Court of Appeals in CA-G.R. SP No. 35271 affirming the orders dated May 5, 1994,[2] July 12, 1994[3] and September 1, 1994,[4] respectively, of the Regional Trial Court of Malolos Bulacan, Branch 22, granting the motion for execution of compromise judgment dated September 22, 1993 in Civil Case No. 233-M-92.

The facts, as culled from the records, are as follows:

Private respondents spouses Mario and Gregoria Geronimo obtained a loan in the amount of One Million Twenty Eight Thousand Pesos (P1,028,000) from petitioners, the spouses Inocencio and Adoracion San Antonio. To secure the loan, private respondents mortgaged two parcels of land covered by TCT No. RT-6653 with an area of 10,390 square meters and TCT No. RT-6652 with an area of 2,556 square meters, both situated in Barrio Tabe, Guiguinto, Bulacan. Subsequently, private respondents obtained an additional loan of Nine Hundred Ninety One Thousand Eight Hundred Fifty Nine Pesos (P991,859) with an interest of 3.33% per month, thus making their total obligation in the amount of Two Million Nineteen Thousand Eight Hundred Fifty Nine Pesos (P2,019,859), payable on or before February 15, 1991. Private respondents failed to pay the loan and the interest on the due date, hence, the mortgage was extrajudicially foreclosed. During the auction sale, petitioners, being the highest bidder bought the two parcels of land.

Before the one-year redemption period expired, private respondents filed a complaint for annulment of extrajudicial foreclosure with preliminary mandatory injunction, docketed as Civil Case No. 233-M-92, with the Regional Trial Court of Bulacan, Branch 22. After the parties presented their respective evidence, they submitted to the court on September 16, 1993, a compromise agreement dated August 25, 1993, the terms and conditions of which are quoted as follows:

> COME NOW parties assisted by their respective counsels and before the Honorable Court most respectfully submit this compromise agreement, the terms and conditions of which are:
>
> - For a consideration of TWO MILLION PESOS (P2,000,000.00), Philippine Currency, in hand received today by the defendants spouses Inocencio and Adoracion San Antonio from the plaintiffs, defendants San Antonio will execute a deed of resale/reconveyance/redemption of that subject property covered by TCT No. RT-6653 (T-209250) of the Registry of Deeds of Bulacan including its improvements;
>
> - For the release/resale/reconveyance of the other property involved in the case described in TCT No. RT-6652 (T-296744) of the Registry of Deeds of Bulacan together with its improvements, plaintiffs obligate themselves to transfer the ownership of the following to the defendants San Antonio.

> - That lot including its improvements situated in Brgy. Tuctucan, Municipality of Guiguinto, Bulacan, covered by TCT No. 29832, Blk. 4, Lot No. 3 consisting of 135 square meters;
>
> - That lot situated in Brgy. Tuctucan, Municipality of Guiguinto, Bulacan covered by TCT No. 30078, Blk. 9, Lot 27 consisting of 78 square meters;
>
> - Another lot situated in Brgy. Tuctucan, Municipality of Guiguinto, Bulacan, covered by TCT No. 30079, Blk. No. 38 consisting of 75 square meters.
>
> within six (6) months from signing of this compromise agreement simultaneous to which delivery of the title to the afore-mentioned properties in the names of the defendants San Antonio, the defendants San Antonio will execute the corresponding instrument of resale/reconveyance/redemption over that property together with its improvements covered by TCT No. RT-6652 (T-296744), for the purpose of the cancellation of the annulment of the sale in the title subject to the condition that should plaintiffs fail to deliver the titles to the three lots heretofore mentioned to the defendants San Antonio, the said plaintiffs shall be deemed to have waived and renounced any all rights, claims and demands whatsoever they may have over that property covered by TCT No. RT-6652 (T-296744) including its improvements and thenceforth bind themselves to respect the right of ownership, and possession of the defendants San Antonio over said property, or to pay Two Million Pesos (P2,000,000.00) within the same period;
>
> - That the parties further agree to set aside any claim, damages and counter-claims they may have against each other;
>
> - That in the meantime, the possession of the plaintiffs of the subject property covering TCT No. 6652 (T-296744) and TCT No. RT-6653 (T-209250) shall it be respect; (SIC)
>
> - This compromise agreement shall be in full settlement of the obligations of the plaintiffs with respect to Kasulatan ng Sanglaan dated February 14, 1989 and the Susog ng Kasulatan ng Sanglaan dated July 16, 1990, subject matter of the complaint, and those related therein;
>
> - This compromise agreement is immediately executory. (underscoring supplied).[5]

Finding the above to be in order, the trial court approved the same in its order dated September 22, 1993, thus:

> A careful perusal of the Compromise Agreement dated August 25, 1993 reveals that the terms and conditions thereof are not contrary to law, morals and public policy.
>
> ACCORDINGLY, the compromise agreement dated August 25, 1993 is hereby APPROVED. The parties are enjoined to comply faithfully with their obligation under said agreement.
>
> SO ORDERED.[6]

In accordance with the stipulations in paragraph 1 of the Compromise Agreement, petitioners executed a Certificate of Redemption and Cancellation of Sale covering TCT No. RT-6653 after private respondents paid them Two Million Pesos (P2,000,000). Private respondents, however, failed to transfer the ownership and deliver the titles of the three parcels of land described in paragraph 2 of the agreement or to pay 2 Million Pesos within the six-month period from August 25, 1993. It was only on March 4, 1994, after the lapse of six months that private respondents delivered the three titles to petitioners. As the delivery was beyond the agreed six-month period, petitioners refused to accept the same or execute an instrument for the resale, reconveyance or redemption of the property covered by TCT No. RT-6652. Consequently, TCT No. RT-6652 was cancelled and in lieu thereof, TCT No. T-47229 was issued in the names of petitioners.

Private respondents filed a motion for execution of the September 22, 1993 order with the trial court. This was granted on May 5, 1994. Petitioners filed a motion for reconsideration but this was denied on July 12, 1994. A

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second motion for reconsideration by petitioners was likewise denied in an order dated September 1, 1994.

Petitioners filed a Petition for Certiorari with application for a Temporary Restraining Order and/or Writ of Preliminary Injunction with the Court of Appeals. As said earlier, the Court of Appeals denied the petition on April 28, 1995, thus:

> WHEREFORE, the petition for certiorari is hereby DENIED DUE COURSE, and is DISMISSED. The Orders of respondent court dated May 15, July 12, and September 1, 1994 are AFFIRMED.
>
> SO ORDERED.[7]

Hence this petition for review wherein petitioners aver that the Court of Appeals erred in:

> - ... RULING THAT THE ORDER DATED MAY 5, 1994 DID NOT SUBSTANTIALLY AMEND THE FINAL AND EXECUTORY JUDGMENT RENDERED BASED ON A COMPROMISE AGREEMENT.
>
> - ... RULING THAT THE PRINCIPLE OF EQUITY IS A GROUND TO JUSTIFY THE AMENDMENT OF A FINAL AND EXECUTORY JUDGMENT.
>
> - ... RULING THAT THE DELAY IN THE DELIVERY OF THE TITLES IS ATTRIBUTABLE TO THE REGISTER OF DEEDS OF BULACAN.
>
> - ... APPLYING ARTICLE 1191 OF THE NEW CIVIL CODE.
>
> - ... NOT RULING THAT THE COMPROMISE AGREEMENT IS IMMEDIATELY EXECUTORY AS PROVIDED IN PARAGRAPH 6 THEREOF.
>
> - ... NOT RULING THAT PETITIONERS HAVE ALREADY COMPLIED WITH PARAGRAPH 1 OF THE COMPROMISE AGREEMENT.[8]

In sum, petitioners raise the following issues for our resolution:

- Did the trial court err in granting the writ to execute the compromise judgment?

- Is Article 1191 of the New Civil Code applicable in this case?

On the first issue, did the trial court err in granting the writ to execute the compromise judgment? Petitioners claim that the trial court did. The compromise agreement approved by the trial court in its order dated September 22, 1993, provided that private respondents had six months within which to deliver the titles. If they failed, ownership of the land covered by TCT No. RT-6652 would be transferred to petitioners. Petitioners contend that judgement based on a compromise is conclusive upon the parties and is immediately executory. It has the force and effect of res judicata, hence it cannot be modified. The trial court therefore, cannot compel petitioners, via a writ of execution, to accept the three titles beyond the six-month period, because it is in effect an amendment to the compromise agreement, petitioners said. They explain that even on equitable considerations this was not allowed because once a decision becomes final, the court which rendered it loses jurisdiction over the case and it can no longer be modified except for clerical errors.

Petitioners also contend that private respondents should not blame the Register of Deeds for the delay in the delivery of the three titles since private respondents submitted the registration documents to the Register of Deeds only on March 2, 1994, beyond the six-month period deadline.

Further, petitioners deny that they are guilty of delay for not executing the deed of resale, reconveyance or redemption despite their receipt of two million pesos. They said that as early as August 25, 1993, they already executed a Certificate of Redemption and Cancellation of Sale of the land covered by TCT No. RT-6653.

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Private respondents counter that there has been no modification of the final judgment when the trial judge issued the writ of execution, as the judge was merely performing a ministerial duty. Also, private respondents deny that they delivered the three titles late and if ever the delivery was delayed it was the Register of Deeds who was to blame. Private respondents additionally point out that in reciprocal obligations, like the ones in this case, delay sets in only when one party fulfills his obligation and the other is unable to perform his part of the obligation. Likewise, a person obligated to deliver something incurs in delay only after demand. As herein petitioners have not yet made the demand and as they have not yet performed their part of the agreement, which was the execution of the deed of reconveyance, delay by private respondents has not yet occurred.

We find petitioners' petition impressed with merit.

A compromise agreement, once approved by final order of the court, has the force of res judicata between the parties and should not be disturbed except for vices of consent or forgery.[9] In this case, the compromise agreement clearly provided private respondents six months, i.e. from August 25, 1993 to February 25, 1994, to deliver the titles to the three parcels of land described in the agreement. If after the lapse of the said period and no delivery is yet made by private respondents, ownership over the land covered by TCT No. RT-6652 would be transferred to petitioners. As the facts of this case show, private respondents failed to deliver the titles on February 25, 1994, as it was only on March 4, 1994, when they gave the titles to petitioners. Hence, pursuant to the terms of the compromise agreement, petitioners could rightfully refuse acceptance of the titles. It was error therefore for the trial court to grant the writ of execution in favor of private respondents because it effectively compelled petitioners to accept delivery of the three titles in exchange for the release of the land covered by TCT No. RT-6652 even after the lapse of the six-month period.

Private respondents claim that the trial court, in issuing the writ, was merely performing a ministerial duty. While it becomes the trial court's ministerial duty to issue a writ of execution when a judgment or order becomes final and executory, a writ of execution may be refused on equitable grounds.[10] In this case, it will be unjust to petitioners if we compel them to accept the three titles despite the lapse of the agreed period. Contractual obligations between parties have the force of law between them and absent any allegation that the same are contrary to law, morals, good customs, public order or public policy, they must be complied with in good faith.[11]

Both the trial court and the Court of Appeals attributed to the Register of Deeds private respondents' delay in the delivery of the three titles. But as shown in their decisions, private respondents submitted to the Register of Deeds the pertinent documents for registration of the three titles in petitioners' name only on March 2, 1994, beyond the six-month period.[12] Private respondents could have done so earlier, but they did not. This only shows that private respondents did not intend to truly comply with their obligations.

As to the alleged delay on the part of petitioners in executing the Deed of Resale and Reconveyance, we find that this point serves only to confuse the Court on the real facts of the case. Despite the fact that the compromise agreement involved two parcels of land up for redemption, private respondents did not indicate as to which parcel of land petitioners did not execute a deed of resale.[13] Nevertheless, private respondents admitted that petitioners already executed a Certificate of Redemption.[14] For us, this was sufficient compliance of petitioners' duty under the Compromise Agreement.

Lastly, is Article 1191 of the New Civil Code[15] applicable in this case? According to petitioners, the Court of Appeals erred when it found that private respondents' delay did not constitute substantial breach to warrant rescission of the compromise agreement. They assert that they were not seeking rescission of the compromise agreement but its full enforcement regardless of whether the delay is slight or substantial.

While indeed private respondents did not meet head on this issue, we find that it should be properly addressed. In filing the petition before the Court of Appeals, petitioners sought the appellate court's declaration that the trial court committed grave abuse of discretion. In their view, the trial court should have enforced the compromise agreement instead of rescinding it. Thus, it was error for the Court of Appeals to apply Article 1191 of the New Civil Code which concerns rescission of contract. Applicable here is Article 1159 which enjoins compliance in good faith by the parties who entered into a valid contract.[16] Compromise agreements are contracts, whereby the parties undertake reciprocal obligations to avoid litigation, or put an end to one already commenced.[17]

WHEREFORE, the petition is GRANTED. The decision dated April 28, 1995, and resolution dated September 11, 1995, of the Court of Appeals in CA-G.R. SP No. 35271 are REVERSED AND SET ASIDE. Accordingly, the orders dated May 5, 1994, July 12, 1994 and September 1, 1994, of the Regional Trial Court of Malolos, Bulacan, Branch 22, are hereby declared NULL AND VOID. Private respondents are ordered to cease and desist from disturbing the ownership and possession by petitioners of the parcel of land covered by TCT No. RT-6652. Costs against private respondents.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, and De Leon, Jr., JJ., concur.
Buena, J., on official leave.

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[1] Rollo, pp. 31-39.

[2] Id. at 61-69.

[3] Id. at 70-80.

[4] Id. at 81-83.

[5] CA Records, pp. 5-7.

[6] Id. at 42.

[7] Rollo, p. 38.

[8] Id. at 18.

[9] National Electrification Administration vs. Court of Appeals, G.R. No. 103585, 280 SCRA 199, 205 (1997).

[10] Medina vs. City Sheriff, Manila, G.R. No. 113235, 276 SCRA 133, 140 (1997).

[11] Ayala Corporation vs. Rosa-Diana Realty and Development Corp., G.R. No. 134284, December 1, 2000, p. 13, citing Article 1159 of the New Civil Code, to wit: "Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith."

[12] Rollo, p. 37.

[13] Id. at 112.

[14] Ibid.

[15] Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of

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damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with articles 1385 and 1388 and the Mortgage Law.

[16] Art. 1159, Civil Code: Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

[17] Sanchez vs. Court of Appeals, G.R. No. 108947, 279 SCRA 647, 675 (1997).

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