

NATIONAL COMMERCIAL BANK OF SAUDI ARABIA, PETITIONER, VS. COURT OF APPEALS AND PHILIPPINE BANKING CORPORATION, RESPONDENTS.

G.R. NO. 124267. January 17, 2005

Ponente: CARPIO-MORALES, J.

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CARPIO-MORALES, J.:

By Resolution[1] of August 18, 2004, this Court gave due course to respondent Philippine Banking Corporation's Motion for Reconsideration of this Court's January 31, 2003 Decision,[2] the dispositive portion of which reads:

WHEREFORE, the instant petition for review on certiorari is GRANTED. The Amended Decision of the Court of Appeals dated March 8, 1996 is SET ASIDE and the Resolution of the Regional Trial Court declaring the Motion for Reconsideration filed by the Philippine Banking Corporation is pro forma is REINSTATED.

In granting respondent's motion, the Court took into consideration the fact that parties belong to the banking industry over which the government has a vital interest and that movant's failure to comply with the requirement of notice and hearing when it filed its motion for reconsideration of the trial court's Decision[3] of August 24, 1993 is not commensurate to the severe prejudice it would suffer in light of the seeming error of the trial court in imposing the interest on the judgment obligation, the correctness of which interest respondent raised for the first time in its motion at bar.

As the case has been pending for more than nineteen years, this Court ordered the trial court (Regional Trial Court of Makati City) and the Court of Appeals to elevate all the records of the case for final resolution.

Upon this Court's directive, petitioner National Commercial Bank of Saudi Arabia and the Metropolitan Bank and Trust Co., Inc. (successor of movant respondent Philippine Banking Corporation) filed their memoranda on October 14, 2004 and October 29, 2004, respectively.

On December 7, 2004, the parties, through their respective counsels, filed a joint motion[4] before this Court for approval of an undated compromise agreement which was executed for the purpose of ending the longstanding litigation.

The Compromise Agreement[5] reads as follows:

This Agreement entered into this ____ (sic) day of ____ (sic), 2004 in Makati City by and between:

The National Commercial Bank, Saudi Arabia, a company engaged in banking, duly organized and existing under the laws of Saudi Arabia, with principal office at King Abdul Aziz Street, Jeddah, Saudi Arabia, hereinafter referred to as NCB and represented herein by its Head, International Banking, MR. ALA'A AL JABRI;

And

METROPOLITAN BANK & TRUST COMPANY, a universal banking corporation duly organized and

existing under the laws of the Philippines, with principal office address at Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City, as successor-in-interest of PHILIPPINE BANKING CORPORATION (PBC) hereinafter referred to as METROBANK, and represented herein by its Senior Executive Vice President ANGELITO M. VILLANUEVA.

WHEREAS, on December 4, 1985, NCB [National Commercial Bank, Saudi Arabia] filed a complaint against PBC [Philippine Banking Corporation] to recover duplicate payment of the proceeds of letters of credit in the aggregate amount of US\$971,919.75, said case is docketed as Civil Case No. 12419 Regional Trial Court (RTC) Makati City Branch 134;

WHEREAS, on August 24, 1993, the RTC rendered a decision the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of plaintiff, National Commercial Bank of Saudi Arabia and against defendant Philippine Banking Corporation ordering the said defendant:

- To pay plaintiff the sum of US\$971,919.75, United States Currency, with legal rate of interest of 12% per annum from 1975 until defendant returns the entire amount of duplicate payments;
- To pay plaintiff as attorney's fees the amount of \$62,911.77, United States Currency and expenses of litigation in the amount of P236,628.66;
- Costs of suit.

SO ORDERED.

WHEREAS, in a Resolution of the Supreme Court promulgated on August 18, 2004, the Court directed that all the records of the case be elevated for its final resolution;

WHEREAS, NCB and METROBANK desire to abbreviate the long and protracted legal battle and settle the case amicably to the satisfaction of both parties;

NOW THEREFORE, for and in consideration of the foregoing and subsequent premises, NCB and METROBANK hereby agree as follows:

- As and by way of FULL, COMPLETE and FINAL SETTLEMENT and SATISFACTION of all claims, charges, demands or causes of action, in law or in contract, which NCB has against METROBANK, METROBANK shall pay the amount of ONE MILLION EIGHT HUNDRED THOUSAND, United States Currency (US\$1,800,000.00);
- That in consideration of the receipt of said amount NCB, its successors-in-interests, representatives and assigns, forever and unconditionally releases, waives and discharges METROBANK, its stockholders, directors, officers, agents, employees, subsidiaries and affiliates, from any and all cause or causes of actions, sum or sums of money, accounts, damages, claims and demands, in law, in contract or in equity, under the prevailing laws and regulations, of whatever kind and nature, criminal, civil or administrative, past, present or contingent, which NCB, its successors-in-interests, representatives and assigns had, has, or may have against METROBANK, its stockholders, directors, officers, agents, employees, subsidiaries and affiliates.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date and place first above-written.

THE NATIONAL COMMERCIAL BANK, SAUDI ARABIA

By:

(Sgd.) ALA'A AL JABRI
Head, International Banking

METROPOLITAN BANK AND TRUST COMPANY

TIN: -43-000-188-233

By:

(Sgd.) ANGELINO M. VILLANUEVA

Senior Executive Vice President

SIGNED IN THE PRESENCE OF:

(Sgd). Jovencio Capulong (Sgd). Mustaza Bin Kassim

Under Article 1306 of the Civil Code, contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy. Thus, a compromise agreement whereby the parties make reciprocal concessions to resolve their differences to thereby put an end to litigation is binding on the contracting parties and is expressly acknowledged as a juridical agreement between them.[6] To have the force of *res judicata*, however, the compromise agreement must be approved by final order of the court.[7]

To be valid, the compromise agreement must be based on real claims and actually agreed upon in good faith.[8] Both conditions are present in the case at bar. In clear, categorical language, each of the parties have manifested their desire, by forging the Compromise Agreement, to abbreviate the legal battle and settle the case amicably to both their satisfaction. As the Agreement is not contrary to law, public order, public policy, morals or good customs, the same is hereby approved. The petition having become moot and academic, it should thus now be dismissed.[9]

En passant, in *Philippine Geothermal, Inc. v. National Power Corporation*, [10] a petition for review on certiorari raising the sole issue of whether the Regional Trial Court has jurisdiction over a petition for declaratory relief in light of a pending arbitration proceeding, this Court declined to approve a compromise agreement submitted by the parties to end further litigation. For only the issue of jurisdiction was elevated and, therefore, beyond this Court's jurisdiction to pass upon and approve the compromise agreement.

WHEREFORE, the Compromise Agreement is hereby APPROVED and judgment is hereby rendered in conformity with and embodying the terms and conditions mentioned in the above-quoted Compromise Agreement.

No costs.

SO ORDERED.

Puno, (Chairman), Panganiban, Sandoval-Gutierrez, and Corona, JJ., concur.

[1] Rollo at 541-550.

[2] Id. at 381-389.

[3] Id. at 303-316.

[4] Id. at 643-644.

[5] Id. at 645-646.

[6] *Manila International Airport Authority (MIAA) v. Ala Industries Corporation*, G.R. No. 147349, February 13,

2004.

[7] Ibid.

[8] Ibid.

[9] *Motorola Philippines, Inc. v. Bautista*, 122 SCRA 615, 617 (1983); *Po v. Yu*, 117 SCRA 1036, 1038 (1982).

[10] G.R. No. 144302, May 27, 2004.

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