

AYALA LAND, INC, petitioner, vs. WILLIAM NAVARRO, ISAGANI NAVARRO, ILUMINADA LEGASPI, BELEN DOLLETON, FLORENTINO ARCIAGA, BARTOLOME PATUGA, DIONISIO IGNACIO, BERNARDINO ARGANA, ...

G.R. No. 127079. May 07, 2004

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Before us is a petition for review on certiorari assailing the Decision[1] dated September 27, 1996 and Resolution[2] dated November 7, 1996 of the Court of Appeals in CA-G.R. SP No. 40948, entitled “Ayala Land, Inc. vs. Judge Florentino Alumbres, in his capacity as Presiding Judge of Br. 255 of RTC of Las Piñas, Metro Manila, William Navarro, Isagani Navarro, Iluminada Legaspi, Belen Dolleton, Florentino Arciaga, Bartolome Patuga, Dionisio Ignacio, Bernardino Argana and Erlinda Argana.”

The factual antecedents as borne by the records are:

On September 6, 1993, the above-named respondents filed with the Regional Trial Court, Branch 147, Makati City, a complaint for annulment of titles (Transfer Certificates of Title Nos. T-36975 to T-36983), recovery of possession and damages against Las Piñas Ventures, Inc., docketed as Civil Case No. 93-3094.

Ayala Land, Inc., petitioner, filed a motion for substitution praying that it should be substituted as party defendant on the ground that in 1991, Las Piñas Ventures, Inc. merged with it. Petitioner also filed a motion to dismiss the complaint on the following grounds: (1) the cause of action has prescribed; (2) the complaint fails to state a sufficient cause of action; and (3) the filing fees were not paid.

Respondents then filed an amended complaint impleading petitioner as party defendant.

On December 29, 1993, respondents filed a motion to prosecute action as pauper litigants alleging that their individual gross income does not exceed P4,000.00 a month.

Subsequently, the case was re-raffled to Branch 255 at Las Piñas presided by Judge Florentino Alumbres.

In an Order dated January 3, 1995, Judge Alumbres granted respondents’ motion to prosecute action as pauper litigants and admitted their amended complaint.

Petitioner then filed an answer.

During the pre-trial conference, petitioner filed consolidated motions for production of documents[3] and for the striking out of the amended complaint[4] for non-payment of docket fees.

On March 4, 1996, the trial court denied the consolidated motions, hence, petitioner filed a motion for inhibition.

But, in an Order dated May 27, 1996, the trial court denied the motion for inhibition, prompting petitioner to file

with the Court of Appeals a petition for certiorari assailing that Order and the Order allowing private respondents to litigate as paupers.

The Appellate Court, in a Decision dated September 27, 1996, dismissed the petition, ratiocinating as follows:

“The first issue to be resolved is the propriety of the respondent Judge’s Order allowing the private respondents to litigate as pauper.

x x x

Evidently enough, private respondents have complied with the requirements of the law to be bestowed the status of pauper litigants. Having complied with the requirements of the rules, and none has been shown to the contrary, it is imperative on the part of respondent Judge to confer the right to private respondents to litigate as pauper.

x x x

We now come to the matter of inhibition of the respondent Judge.

In particular, the petitioner enumerated the instances whereby the respondent judge allegedly exhibited hostility and bias against petitioner and counsel, and partiality towards the private respondents x x x

x x x

Going by the actuations of the respondent Judge pointed to by the petitioner as indicative of hostility, bias and partiality, We fail to see how such actuations may readily be branded as such.

First, as discussed in the earlier part of this decision, the denial of petitioner’s motion to strike out amended complaint is in accord with law and jurisprudence. Ergo, petitioner’s remonstrance on this respect does not hold water.

Second, the remark of the respondent Judge referring to the private respondents as ‘genuine owners’ and the respondent Judge’s prodding that petitioner ‘better negotiate’ with the ‘genuine owners’ should not be readily colored with prejudice.

x x x

Third, the barrage of motions to dismiss filed by the petitioners ostensibly on identical grounds impelled the respondent Judge to issue the warning of contempt. The records of this case is very revealing on this matter, and We cannot thus fault the respondent Judge in so doing.

x x x

WHEREFORE, the petition is hereby DISMISSED for lack of merit.

SO ORDERED.”

From the said Decision, petitioner filed a motion for reconsideration but was denied.

Hence, this petition for review on certiorari. For our resolution is the issue of whether the Court of Appeals erred (1) in holding that respondents are pauper litigants; and (2) in sustaining the trial court’s Order denying petitioner’s motion for inhibition.

During the pendency of the instant petition, both parties, on May 13, 1997, executed a memorandum of agreement (MOA) wherein respondents agreed to transfer to petitioner their rights of ownership over the subject land for a consideration of One Hundred Twenty Million (P120,000,000.00) Pesos. The MOA also provided that Ten Million (P10,000,000.00) Pesos representing attorney’s fee of Atty. Hicoblino Catly, respondents’ counsel, shall be deducted from P120,000,000.00. The parties then submitted to the trial court their joint motion for judgment based on their compromise agreement.

This prompted Atty. Catly to file with the trial court a manifestation and motion alleging that under his retainer agreement[5] with respondents, he is entitled to Thirty Million (P30,000,000.00) Pesos as attorney's fee or 25% of the P120,000,000.00.

Subsequently or on May 27, 1997, petitioner, respondents and Atty. Catly executed an amendatory agreement[6] wherein they included in the original compromise agreement or MOA the provision that Twenty Million (P20,000,000.00) Pesos will be paid to Atty. Catly in addition to the P10,000,000.00 previously agreed upon, as attorney's fee, subject to the trial court's approval.

In a Judgment[7] dated July 22, 1997, the trial court approved the parties' amendatory agreement and directed petitioner to release Atty. Catly's additional attorney's fee of P20,000,000.00, thus:

"Originally submitted to the Court for approval and judgment on June 9, 1997 is the JOINT MOTION FOR JUDGMENT BASED ON COMPROMISE dated May 13, 1997 of the parties, duly assisted by their counsels, Atty. Hicoblino M. Catly for the plaintiffs and Atty. Alexander J. Poblador for the defendant.

During the hearing of the said motion on June 10, 1997, the parties discussed an AMENDATORY AGREEMENT which relates to attorney's fees of Atty. Catly which they alluded to as forming part of their compromise agreement, but this said amendatory agreement has not yet been submitted to the Court. On June 23, 1997, an order was issued directing the parties to submit the same for approval by the Court.

Thus, on June 27, 1997, in compliance with the said order, the plaintiffs submitted their copy which is not notarized, while the defendant submitted its copy, duly notarized, on July 4, 1997.

x x x

Finding the terms and conditions set forth under the Amendatory Agreement to be freely agreed upon, and the same not being contrary to law, morals, public order and public policy, the same are hereby approved.

WHEREFORE, judgment is hereby rendered on the basis of the terms and conditions agreed upon under the Amendatory Agreement with emphasis on Paragraphs 2, 3 and 4 thereof, and in accordance with Section 5, Rule 36 of the Rules of Civil Procedure.

ACCORDINGLY, the defendant is directed to immediately release the sum of Twenty Million (P20,000,000.00) Pesos in favor of Atty. Hicoblino M. Catly representing his attorney's fees as herein approved by the Court.

SO ORDERED."

Immediately, Atty. Catly, in order to get hold of his attorney's fee, filed with the trial court a motion praying for the execution of its compromise judgment. Thereupon, respondents filed with this Court an urgent application for a temporary restraining order to enjoin the trial court from enforcing its Judgment, specifically with respect to Atty. Catly's attorney's fee of P30,000,000.00. For its part, petitioner filed with the trial court an opposition to Atty. Catly's motion.

The trial court then held in abeyance its resolution of Atty. Catly's motion until after we shall have resolved respondents' urgent application for a temporary restraining order.

We now go back to the issue raised in the instant petition, i.e., whether or not the Court of Appeals erred (a) in allowing respondents to litigate as paupers; and, (b) in sustaining the trial court's order denying petitioner's motion for inhibition.

Obviously, with the execution of the May 13, 1997 MOA or compromise agreement and the May 27, 1997 amendatory agreement, the parties resolved to settle their differences and put an end to the litigation.[8] It bears

reiterating that on July 22, 1997, the trial court rendered its Judgment approving this amendatory agreement.

We have consistently held that 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 *Armed Forces of the Philippines Mutual Benefit Association vs. Court of Appeals*,[10] we also held:

“Once stamped with judicial imprimatur, it (compromise agreement) becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. It has the effect and authority of res judicata, although no execution may issue until it would have received the corresponding approval of the court where the litigation pends and its compliance with the terms of the agreement is thereupon decreed. A judicial compromise is likewise circumscribed by the rules of procedure.”

Thus, by virtue of the trial court’s Judgment approving the parties’ amendatory agreement (or amendatory compromise agreement), the instant petition has become moot and academic.[11]

In *City of Laoag vs. Public Service Commission*,[12] we ruled that a “petition may be dismissed in view of the compromise agreement entered into by the parties.”

Relative to Atty. Catly’s attorney’s fee of P30,000,000.00, while it was agreed upon by both parties in their MOA and amendatory agreement, however, they are now contesting its reasonableness. In fact, petitioner filed with the trial court an opposition to Atty. Catly’s motion for execution of compromise Judgment on the ground that his attorney’s fee is excessive and unconscionable; while respondents filed with this Court a motion for the issuance of a temporary restraining order to enjoin the trial court from granting Atty. Catly’s motion.

The issue of whether or not Atty. Catly’s attorney’s fee is reasonable should be resolved by the trial court. For one, this incident stemmed from Atty. Catly’s motion for execution of the compromise Judgment filed with the trial court. As earlier stated, petitioner filed its opposition, also with the trial court. For another, this incident appears to be factual and is being raised before us only for the first time. In *De Rama vs. Court of Appeals*,[13] we held that “issues or questions of fact cannot be raised for the first time on appeal.”

WHEREFORE, the instant petition, being moot, is DENIED. Nonetheless, let the records be remanded to the trial court for the purpose of resolving with dispatch the propriety of Atty. Hicoblino Catly’s attorney’s fee of P30,000,000.00 being assailed by both parties before that court.

SO ORDERED.

Vitug, (Chairman), Corona, and Carpio Morales, JJ., concur.

[1] Annex “A” of the Petition for Review on Certiorari, Rollo at 88-99.

[2] Annex “B”, id. at 106-107.

[3] The motion prayed for the production of tax declarations alleged in the amended complaint.

[4] The motion to strike out the amended complaint was based on the ground that the market value of the claims of Florentino Navarro and Leon Argana, private respondents, exceeded P700,000.00, thus they cannot be considered pauper litigants.

[5] Under the retainer agreement, respondents’ counsel is entitled to “attorney’s fees equivalent to 25% of the total area recovered or its equivalent in cash upon successful termination of court litigation.”

[6] Annex “C” of the Manifestation and Motion, Rollo. at 423-426.

[7] Annex “A” of the Urgent Application for Temporary Restraining Order, id. at 438-439.

[8] Article 2028 of the New Civil Code provides:

“Art. 2028. A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.”

[9] Santos vs. Dames II, A.M. No. RTJ-93-1080, October 2, 1997, 280 SCRA 13, 17, citing United Housing Corp. vs. Judge Dayrit, 181 SCRA 285.

[10] G.R. No. 126745, July 26, 1999, 311 SCRA 143, 154-155, citing Domingo vs. Court of Appeals, 255 SCRA 189 (1996); National Electrification Administration vs. Court of Appeals, 280 SCRA 199 (1997); and Article 2037 of the New Civil Code.

[11] Ordonez vs. Gustilo, G.R. No. 81835, December 20, 1990, 192 SCRA 469, citing Berenguer vs. Arcangel, 149 SCRA 164 (1987).

[12] G.R. Nos. L-32097-98, March 30, 1979, 89 SCRA 207, citing Socorro vs. Ortiz, 12 SCRA 641 (1964).

[13] G.R. No. 131136, February 28, 2001, 353 SCRA 94, 105, citing Heirs of Pascasio Uriate vs. CA, 284 SCRA 511, 517 (1998); Cheng vs. Genato, 300 SCRA 469, 480 (1998).

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