

**WESTMONT BANK, PETITIONER, VS. SHUGO NODA & CO. LTD.,
SHUYA NODA, HABALUYAS ENTERPRISES, INC., ESTATE OF PEDRO J.
HABALUYAS, AND COURT OF APPEALS, RESPONDENTS.**

G.R. No. 129866. May 19, 1999

Ponente: GONZAGA-REYES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-129866/>

GONZAGA-REYES, J.:

This petition for review seeks to reverse and set aside the resolutions dated May 16, 1998 and July 8, 1997 of the Court of Appeals[1] in CA-GR CV No. 50516 approving the compromise agreement amongst the above-named private respondents and denying the motion to reconsider the same.

On February 12, 1976, a civil complaint was instituted by Shugo Noda and Co. Ltd. and Shuya Noda against Habaluyas Enterprises, Inc. and its Chairman-President, Atty. Pedro J. Habaluyas (now deceased and represented by Sally B. Habaluyas, administratrix of his estate). The third defendant in the complaint was the Associated Citizens Bank (now Westmont Bank). The complaint, which was filed with the Regional Trial Court of Manila (Branch 36) and docketed as Civil Case No. 82-3305, was for sum of money and damages arising from breach of contract.

The complaint stems from the following transactions entered into by the parties: Shuya Noda deposited US\$400,000.00 at Associated Citizens Bank for which the latter issued Certificates of Deposit Nos. 1611, 1612 and 1613 in the sums of US\$300,000.00, US\$50,000.00 and US\$50,000.00, respectively. Shuya Noda executed an Assignment of Bank Deposit whereby he assigned to the bank P2,680,000.00 out of his US\$400,000.00 deposit as partial collateral for a credit accommodation in the principal sum of P5 Million which the bank had agreed to extend to Habaluyas Enterprises, Inc. The credit facility was to be availed of by Habaluyas Enterprises, Inc. in the establishment of a sawmill. Due to the alleged contravention by the defendants of their respective obligations stemming from the aforesaid transactions, litigation ensued.

On December 25, 1989, Pedro J. Habaluyas died intestate. On April 1, 1991, Shuya Noda filed a petition for administration of the estate docketed as Special Proceedings No. Q-91-8535 in the Regional Trial Court of Quezon City, Branch 88. The estate court issued an order on December 17, 1991 appointing Sally B. Habaluyas, the lawful wife of Pedro J. Habaluyas as special administratrix of the estate. Shuya Noda filed in the estate court its claim against the estate in accordance with Rule 86 of the Rules of Court "in the amount of US\$609,047.61 with 8% interest per annum after March 31, 1984 on the principal amount of US\$420,000.00".

On January 6, 1995, the trial court rendered judgment in Civil Case No. 82-3305, the dispositive portion of which reads:

- "1. Declaring null and void the offsetting made by defendant Associated Citizens Bank (now Westmont) to plaintiff Shuya Noda's dollar deposit against the obligations of defendant Habaluyas Enterprises, Inc.
2. Ordering Associated Citizens Bank to return and/or release to plaintiff Shuya Noda the amount of

US\$290,927.96 out of his US\$400,000.00 deposit.

3. Ordering Associated Citizens Bank to release/deliver to defendant Habaluyas Enterprises, Inc. the interest on the sum of US\$290,927.96 at the rate of 8% per annum from April 26, 1974 until said sum is fully released/delivered to plaintiff Shuya Noda.

4. Declaring the offsetting of the sum of US\$109,072.04 out of plaintiff Shuya Noda's US\$400,000.00 deposit, together with the interest on said sum of US\$109,072.04 at the rate of 8% per annum from April 26, 1974 to this date, against the P6,016,659.31 (originally P5,000,000.00) loan extended by defendant Associated Citizens Bank to defendant Habaluyas Enterprises, Inc. for the sawmill;

5. Dismissing plaintiff's complaint against defendant Associated Citizens Bank for recovery of exemplary damages, attorney's fees and expenses of litigation and the latter's counterclaim against plaintiffs.

6. Dismissing the cross-claim of defendant Habaluyas Enterprises, Inc. and Pedro J. Habaluyas (substituted by Ms. Sally B. Habaluyas) against defendant Associated Citizens Bank and the latter's counterclaim against defendant Pedro J. Habaluyas (substituted by Sally J. Habaluyas).

7. Ordering defendant Habaluyas Enterprises, Inc., to pay to defendant Associated Citizen's Bank the amounts of (a) P1,702,495.26 plus interest thereon at the rate of 16% per annum from May 17, 1974 until fully paid; (b) P300,000.00 plus interest thereon at the rate of 14% per annum from June 6, 1974 until fully paid; (c) P500,000.00, P1,350,000.00, P200,000.00 and P300,000.00 plus interest thereon at the rate of 14% per annum from August 26, 1974 until fully paid; and (d) P1,664,164.05 plus interest thereon at the rate of 21% per annum from December 20, 1979 until fully paid; but deducting from said amounts and accrued interest as of this date the sum of P2,680,000.00 plus interest thereon at the rate of 8% per annum from April 26, 1974 to this date. Should the net outstanding amounts, inclusive of interests, remain unpaid ninety (90) days after notice, the mortgaged properties covered by the above-mentioned Chattel Mortgage and Real Estate Mortgage shall be sold at public auction in order to realize the mortgage obligation;

8. Ordering defendant Habaluyas Enterprises, Inc. to pay defendant Associated Citizens Bank the amounts of (a) P300,000.00, P250,000.00 and P465,000.00 plus interest thereon at the rate of 14% per annum from August 26, 1974, September 30, 1974, and September 26, 1975, respectively until fully paid; and (b) P200,000.00 and P193,500.00 plus interest thereon, at the rate of 14% per annum from November 7, 1975 until fully paid; and

9. Ordering defendant Habaluyas Enterprises, Inc. to pay to defendant Associated Citizens Bank the amount of P455,156.00 plus interest thereon at the legal rate from filing of the latter's counterclaim until fully paid."[2]

The motion for partial reconsideration filed by Shugo Noda & Co., Ltd. and Shuya Noda was denied in the Order dated April 27, 1995 of the trial court, while the motion for clarification and/or reconsideration of Sally B. Habaluyas was granted, such that the second sentence, paragraph 7, of the dispositive portion of the decision was modified to read as follows:

"7. xxxx. Should the net outstanding amounts, inclusive of interests, remain unpaid ninety (90) days after notice, the mortgaged properties covered by the abovementioned Chattel Mortgage and Real Estate Mortgage (with respect only to the one-half share of the state of the deceased Pedro J. Habaluyas) shall be sold at public auction in order to realize the mortgage obligation."[3]

All the parties appealed. The bank appealed, specifically, paragraphs 1,2,3,4 and 6 (insofar as the dismissal of its counterclaim against Pedro J. Habaluyas is concerned) of the dispositive portion of the decision. The appeals were given due course per orders dated February 15, 1995 (with respect to defendant Bank), April 28, 1995 (as to defendants Habaluyas Enterprises, Inc and Estate of Pedro J. Habaluyas), and July 3, 1995 (with respect to plaintiffs Shugo Noda and Co., Ltd. and Shuya Noda).[4]

While the case was on appeal, Shugo Noda and Co., Ltd., Shuya Noda, Habaluyas Enterprises Inc. (HEI), the Estate Of Pedro J. Habaluyas (the Estate) and Sally B. Habaluyas entered into a compromise agreement to amicably settle the disputes between them in Civil Case No. R-82-3305 and Special Proceedings No. Q-91-8535, the substantive portions of which read:

"Now, therefore, for and in consideration of the foregoing premises and the mutual covenants hereinafter set forth, the parties hereby agree as follows:

- The Compromise Agreement between Pedro J. Habaluyas, HEI and NODA (referring to Shuya Noda) of 8 October 1979 is hereby rescinded and cancelled, and substituted by this Compromise Agreement. Consequently, the Partial Judgment based on the compromise dated 30 October 1979 should be cancelled or amended accordingly.

- The obligation of the ESTATE and HEI to NODA "in the sum of US\$609,047.61 with 8% per annum after March 31, 1984 on the principal amount of US\$420,000.00" as awarded in the Order dated 15 February 1991 in Civil Case No. R-82-3305 is cancelled, and substituted by the covenants of the ESTATE, HEI, and DR. MA. SALLY B. HABALUYAS set forth in this Compromise Agreement.

- DR. MA. SALLY B. HABALUYAS shall immediately convey and transfer absolutely all her title, rights and interest in her undivided fifty per cent (50%) conjugal share in each of the properties covered by TCT Nos. T-51053, T-51054, and T-51055 of the Registry of Deeds of the Province of Laguna, free from any lien, obligation, encumbrance or claimants of whatever nature except Gavino Buena, unto QUIS DEVELOPMENT CORPORATION, a corporation duly organized and existing under the laws of the Philippines, with address at c/o QUISUMBING TORRES & EVANGELISTA, 11[th] Floor, Pacific Star Building, Makati Avenue corner Sen. Gil Puyat Avenue, Makati, Metro Manila (hereafter referred to as QDC).

- The interest earned on NODA's dollar deposits with Associated Citizens Bank (now called "Westmont Bank") covered by Certificates of Deposit Nos. 1611, 1612 and 1613 all dated 26 April 1974 and awarded in the Decision (paragraph 3) dated 6 January 1995 in Civil Case No. R-82-3305 shall belong to SHUYA NODA, considering that he is the owner of the US\$400,000.00 principal of said amounts.

- The ESTATE grants QDC the option to buy its fifty per cent (50%) share in each of the properties covered by TCT Nos. T-51053, T-51054, and T-51055 of the Registry of Deeds of the Province of Laguna, within two (2) years from the date of effectivity of this Compromise Agreement, at the current market price at the time of sale to be determined by an appraiser agreed by the ESTATE and QDC, whatever nature except Gavino Buena. The ESTATE and DR. MA. SALLY B. HABALUYAS agree that said fifty per cent (50%) share of said properties of the ESTATE shall not be subject to distribution in Special Proceeding NO. Q-91-8535, while QDC's option to buy subsists.

- Immediately after execution hereof by the parties hereto, this Compromise Agreement shall be submitted to the Regional Trial Court of Manila, Branch 27, in Civil Case No. R-82-3305 for approval hereof.

- The ESTATE, HEI, and DR. SALLY B. HABALUYAS undertake to execute, deliver and/or do whatever is deemed desirable or necessary by NODA and/or QDC, to immediately effect the absolute conveyance to QDC of DR. SALLY B. HABALUYAS undivided fifty per cent (50%) conjugal share in each of the properties covered by TCT Nos. T-51053, T-51054, and T-51055 of the Registry of Deeds of the Province of Laguna; to effect the partition or segregation thereof from the fifty per cent (50%) share of the ESTATE, in which case they agree that QDC shall get such part of the properties containing a frontage on the road equal to the frontage of the portion belonging to the ESTATE; and to implement this Compromise Agreement.

- Effective upon execution of this Compromise Agreement, the ESTATE, HEI, and DR. MA. SALLY B. HABALUYAS, on the one hand, and NODA, on the other, hereby fully and comprehensively release, forgive, quitclaim, and discharge each other, together with each other's heirs, successors and assigns, from any and all

claims, demands, obligations, liabilities, indebtedness, causes of actions and expenses of every type, kind, nature, description or character, whether known or unknown, due or to become due, from the beginning of time to the date of execution of this Compromise Agreement. Any claims, causes of action or liabilities arising as a result of a breach of this Compromise Agreement are specifically reserved and excluded from this release and discharge.

- If any provision of this Compromise Agreement shall be declared illegal or unenforceable, the other provisions of this Compromise Agreement which are not affected thereby shall remain valid and may be enforced at the option of NODA. However, in case this entire Compromise Agreement is declared illegal or become unenforceable, the aforesaid Compromise Agreement of 8 October 1979, Partial Judgment based on compromise dated 30 October 1979, and Order dated 15 February 1991 in Civil Case No. R-82-3305 shall be revived subject to existing proceedings, and the fifty per cent (50%) conjugal share in each of the properties covered by TCT Nos. T-51053, T-51054, and T-51055 conveyed under paragraph 3 hereof shall revert to DR. MA. SALLY B. HABALUYAS.[5]

A "Motion for Approval of Compromise Agreement" dated July 24, 1995 was filed by Shugo Noda and Co., Ltd. and Shuya Noda before the appellate court. In their comment dated March 21, 1996, HEI and the Estate presented no objection to the said motion.[6] Westmont Bank filed an opposition thereto.[7] In the challenged resolution dated May 16, 1996, the appellate court approved the agreement and stated as reasons therefor:

"Compromise agreements are contracts binding between the contracting parties. Compromise upon its perfection is immediately executory insofar as it is not contrary to law, good morals, good customs, public order and public policy (Article 1306, New Civil Code). It is generally favored in law (Amoranto vs. CA, 231 SCRA 104). As consistently held by the Supreme Court, compromise agreements being a by-product of mutual concessions and good faith of the parties governs their relationships and has the effect and authority of res judicata even if not judicially approved (Republic vs. Sandiganbayan, 226 SCRA 314).

"Not having discovered any irregularity or defect in the execution of the said agreement, the same must be respected. The record shows that defendant-appellee Westmont Bank is without personality to question the compromise agreement not having any participation in it. A person who is not a party or privy to an agreement cannot seek the amendment or modification of the same (Periquet vs. IAC, 238 SCRA 697).

Accordingly, the motion is hereby GRANTED. This is without prejudice to the resolution of the case on appeal.

SO ORDERED."[8]

Westmont Bank sought the reconsideration of the said resolution alleging deprivation of its right over the amount deposited with the bank subject matter of the appeal. The appellate court denied the same in the second challenged resolution dated July 8, 1997, adding that :

"Mere allegations of deprivation or impairment of defendant-appellant's right without proof to substantiate its claim of interest in the subject matter of the compromise do not merit serious consideration.xxx."[9]

Hence, the instant petition on the ground that :

"THE COURT OF APPEALS ERRED IN APPROVING THE COMPROMISE AGREEMENT WHICH HAS PRE-EMPTED WESTMONT'S APPEAL AND WILL ADVERSELY AFFECT ITS RIGHTS AND INTERESTS."[10]

Westmont Bank points out that paragraph four (4) of the agreement is inconsistent with paragraph three (3) of the dispositive portion of the decision, subject matter of Westmont's appeal. Paragraph three (3) of the dispositive portion of the decision orders the Bank to release/deliver to defendant Habaluyas Enterprises, Inc. the interest on

the sum of US\$290,297.96 at the rate of 8% per annum from April 28, 1974 until the sum is fully released/delivered to plaintiff Shuya Noda. On the other hand, the corresponding paragraph in the agreement states that the interest earned on Shuya Noda's dollar deposit with the bank covered by Certificates of Deposit Nos. 1611,1612 and 1613 all dated April 26, 1974 and awarded in the Decision (paragraph 3) dated January 6, 1995 in Civil Case No. R-82-3305 shall belong to Shuya Noda, considering that he is the owner of the US\$400,000.00 principal of said time deposits.

According to the bank, the agreement does not cover the scenario where Westmont wins on appeal and is declared to be free from any liability; that the agreement declares Shuya Noda to be owner of US\$400,000.00 contrary to the finding of the court a quo which held that only US\$290,927.96 of the US\$400,00.00 will be returned to Shuya Noda, all to the prejudice of petitioner Westmont.

The petition is bereft of merit.

First of all, the resolution dated May 16, 1996 of the appellate court clearly provides that the approval of the compromise agreement "is without prejudice to the resolution of the case on appeal." The causes of action of petitioner bank as defendant-appellant in the Court of Appeals remains for adjudication on the merits. With the approval of the compromise agreement, only the dispute between Shugo Noda and Co. Ltd. and Shuya Noda as plaintiffs-appellants against HEI and the Estate as defendants-appellees has been eliminated. Hence, the fears of petitioner bank are unfounded. In case the bank loses the appeal, it shall pay the interests to Shuya Noda as provided in the agreement. If the bank secures a reversal on appeal, needless to state, it will no longer be liable under paragraph three (3) of the dispositive portion of the decision. The change of payee as regards the interests from HEI to Shuya Noda is but a necessary and inevitable consequence of the nature and purpose of a compromise agreement to avoid a litigation or put an end to one already commenced by the parties' making reciprocal concessions.[11] We note that this case has been pending for more than two decades now and apparently an attempt by the parties involved, to the exclusion of petitioner bank, to buy peace and write finis to the controversy.

Secondly, it is well-settled that "a party is not entitled to enforce a compromise agreement to which he is not a party, and that as to its effect and scope, its effectivity is limited to the parties thereto".[12] Thus, the judicially approved compromise agreement of which petitioner bank is not a party could not, contrary to its apprehensions, bind and affect the rights and interests of the latter. To paraphrase *Jag & Haggard Jeans and Sportswear Corporation vs. NLRC*[13], "a compromise agreement does not apply to parties who did not sign the same nor avail of its benefits."

Thirdly, petitioner bank should have read carefully paragraph four (4) of the compromise agreement to see that the same does not vary the terms of the decision making the bank liable for a bigger sum of money. The agreement precisely contains the phrase "and awarded in the Decision (paragraph 3)" expressly referring to the amount therein. The last line of paragraph four (4) of the compromise agreement merely gives the reason why interest should be given to Shuya Noda instead of HEI, and should not be read to mean that in any event, petitioner bank should release/deliver to Shuya Noda the sum of US\$400,000.00.

Furthermore, petitioner bank contends that the compromise agreement which involves the conveyance of assets of HEI and the Estate to Shugo and Co., Ltd. and Shuya Noda is a clever conspiracy by HEI, the Estate, Shugo and Shuya to deprive Westmont of whatever awards it may receive by virtue of a favorable decision, resulting in an empty victory. In fine, petitioner bank would have this court declare that the compromise agreement is but a fraudulent scheme to deprive petitioner bank of its share of the assets in case the bank wins on appeal.

We are not impervious to the fact that fraud may assume different shapes and be committed in as many different

ways, for man in his ingenuity and fertile imagination will always contrive new schemes to fool the unwary. Nevertheless, fraud is never presumed.[14] Petitioner bank's bare allegation that the conveyances of property embodied in the compromise agreement amount to fraud would have this Court indulge on speculations and surmises. Moreover, we have examined petitioner bank's opposition to the motion for approval of the compromise agreement and the motion to reconsider the same filed before the appellate court and find that this matter is being alleged for the first time in the instant petition. It is axiomatic that this Court is not a trier of facts.[15] Whether or not there is a 'conspiracy' or a fraudulent scheme to deprive petitioner bank of the fruits of an anticipated victory on appeal is a question of fact which should have been raised at the latest before the Court of Appeals. At this point, we cannot see how the compromise agreement which merely deals with the obligations of the parties, other than petitioner bank, could sufficiently establish fraud.

Finally, petitioner bank's contention that the Court of Appeals should have ordered the transmittal of the records before approving the compromise agreement deserves scant consideration. The pleadings with the annexes attached thereto filed before the appellate court were sufficient for the latter to act on the compromise agreement. Our own examination of the compromise agreement discloses that the same does not, contrary to petitioner bank's contention, preempt the bank's appeal nor affect its rights and interests.

WHEREFORE, the PETITION is DENIED for lack of merit.

SO ORDERED.

Romero, (Chairman), Vitug, and Panganiban, JJ., concur.

Purisima, J., took no part in the deliberation.

[1] Sixth Division, composed of Associate Justices Antonio M. Martinez (Chairman and ponente), Ricardo P. Galvez and Antonio P. Solano

[2] Records, Vol. VI, pp. 46-48.

[3] Ibid., pp. 115-116, Order dated April 27, 1995.

[4] Id., pp. 335-336, order dated November 14, 1995.

[5] Records, Vol. VI, pp. 237-238.

[6] Rollo in CA-G.R. CV No. 50516, p. 188.

[7] Ibid., p. 190.

[8] Rollo, pp. 35-36.

[9] Ibid., p. 38.

[10] Id., p. 28.

[11] Sanchez v. Court of Appeals, 279 SCRA 647, (underscoring supplied).

[12] Young v. Court of Appeals, 169 SCRA 213.

[13] 241 SCRA 635.

[14] Cuizon vs. Court of Appeals, 265 SCRA 168 (1996).

[15] David-Chan vs. Court of Appeals, 268 SCRA 677(1997).

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.