EDGAR H. ARREZA, PETITIONER, VS. MONTANO M. DIAZ, JR., RESPONDENT.

G.R. No. 133113. August 30, 2001

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This petition assails the decision[1] promulgated on December 24, 1997, and the resolution[2] dated March 6, 1998, by the Court of Appeals in CA-G.R. SP No. 43895. That decision dismissed the petition for certiorari questioning the order[3] dated February 4, 1997 of the Regional Trial Court of Makati City, Branch 59, in Civil Case No. 96-1372, which had denied petitioner's motion to dismiss the complaint filed against him on grounds of res adjudicata.

The factual antecedents of the present petition are culled from the findings of the Court of Appeals.

Bliss Development Corporation is the owner of a housing unit located at Lot 27, Block 30, New Capitol Estates I, Barangay Matandang Balara, Quezon City. In the course of a case involving a conflict of ownership between petitioner Edgar H. Arreza and respondent Montano M. Diaz, Jr.,[4] docketed as Civil Case No. 94-2086 before the Regional Trial Court of Makati, Branch 146, Bliss Development Corporation filed a complaint for interpleader.

In a decision dated March 27, 1996, the trial court resolved the conflict by decreeing as follows:

> WHEREFORE, premises considered, the herein interpleader is resolved in favor of defendant Edgar H. Arreza, and plaintiff Bliss Development is granted cognizance of the May 6, 1991 transfer of rights by Emiliano and Leonila Melgazo thru Manuel Melgazo, to said defendant Edgar Arreza. The case is dismissed as against defendant Montano M. Diaz, Jr.
>
> The third-party complaint is likewise dismissed.
>
> SO ORDERED.

The decision became final and was duly executed with Bliss executing a Contract to Sell the aforementioned property to petitioner Arreza. Respondent Diaz was constrained to deliver the property with all its improvements to petitioner.

Thereafter respondent Diaz filed a complaint against Bliss Development Corporation, Edgar H. Arreza, and Domingo Tapay in the Regional Trial Court of Makati, Branch 59, docketed as Civil Case No. 96-1372. He sought to hold Bliss Development Corporation and petitioner Arreza liable for reimbursement to him of P1,706,915.58 representing the cost of his acquisition and improvements on the subject property with interest at 8% per annum.

Petitioner Arreza filed a Motion to Dismiss the case, citing as grounds res adjudicata or conclusiveness of the judgment in the interpleader case as well as lack of cause of action.

In an Order dated February 4, 1997, the motion was denied for lack of merit.

A Motion for Reconsideration filed by Arreza was likewise denied on March 20, 1997.

On April 16, 1997, Arreza filed a petition for certiorari before the Court of Appeals alleging that the Orders dated February 4 and March 20, 1997, were issued against clear provisions of pertinent laws, the Rules of Court, and established jurisprudence such that respondent court acted without or in excess of jurisdiction, or grave abuse of discretion amounting to lack or excess of jurisdiction.

The petition was dismissed for lack of merit. The Court of Appeals said:

> The decision invoked by the petitioner as res adjudicata resolved only the issue of who between Edgar H. Arreza and Montano Diaz has the better right over the property under litigation. It did not resolve the rights and obligations of the parties.
>
> The action filed by Montano M. Diaz against Bliss Development Corporation, et al. seeks principally the collection of damages in the form of the payments Diaz made to the defendant and the value of the improvements he introduced on the property - matters that were not adjudicated upon in the previous case for interpleader.
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> x x x
>
> WHEREFORE, this petition is hereby DISMISSED with costs against the petitioner.
>
> SO ORDERED.[5]

Petitioner's motion to reconsider the decision of the Court of Appeals was denied.[6] Hence, the present petition, where petitioner raises the following grounds for review:

> I
>
> THE CAUSE OF ACTION EMBODIED IN THE PRESENT RTC CASE PERTAINING TO MR. DIAZ'S CLAIMS FOR REIMBURSEMENT OF AMOUNTS WHICH HE ALLEGEDLY PAID TO BLISS BY WAY OF PREMIUM OR INSTALLMENT PAYMENTS FOR THE ACQUISITION OF THE PROPERTY WAS ERRONEOUSLY BROUGHT AGAINST MR. ARREZA. ALSO, SAID CLAIMS ARE BARRED BY RES ADJUDICATA OR CONCLUSIVENESS OF A PRIOR JUDGMENT IN THE PRIOR RTC CASE WHICH WAS ULTIMATELY AFFIRMED BY THIS HONORABLE COURT IN G.R. NO. 128726.
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> II.
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> THE CAUSE OF ACTION EMBODIED IN THE PRESENT RTC CASE PERTAINING TO MR. DIAZ'S CLAIMS FOR REIMBURSEMENT OF THE COST OF IMPROVEMENTS HE ALLEGEDLY INTRODUCED TO THE PROPERTY IS LIKEWISE BARRED BY RES ADJUDICATA OR CONCLUSIVENESS OF A PRIOR JUDGMENT IN THE PRIOR RTC CASE WHICH WAS ULTIMATELY AFFIRMED BY THIS HONORABLE COURT IN G.R. NO. 128726.
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> III.
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> THE RULING IN THE PRIOR CA PETITION (CA-G.R. SP. NO. 41974) WHICH WAS ULTIMATELY AFFIRMED BY THIS HONORABLE COURT IN G.R. NO. 128726 THAT THE DECISION IN THE PRIOR RTC CASE SETTLED ALL CLAIMS WHICH MESSRS. DIAZ AND ARREZA HAD AGAINST EACH OTHER CONSTITUTES THE LAW OF THE CASE BETWEEN THEM AND SERVES AS BAR TO THE FILING OF THE PRESENT RTC CASE INVOLVING THE SAME CLAIMS.
>
> IV.

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> IN ITS ENTIRETY, THE AMENDED COMPLAINT IN THE PRESENT RTC CASE IS DISMISSIBLE ON THE GROUND OF LACK OF CAUSE OF ACTION.[7]

The issue for our resolution now is whether respondent Diaz's claims for reimbursement against petitioner Arreza are barred by res adjudicata.

The elements of res adjudicata are: (a) that the former judgment must be final; (b) the court which rendered judgment had jurisdiction over the parties and the subject matter; (c) it must be a judgment on the merits; and (d) there must be between the first and second causes of action identity of parties, subject matter, and cause of action.[8]

Worthy of note, the prior case for interpleader filed with Branch 146 of the Regional Trial Court of Makati, Civil Case No. 94-2086, was settled with finality with this Court's resolution in G.R. No. 128726.[9] The judgment therein is now final.

When the Regional Trial Court of Makati (Branch 146) rendered judgment, it had priorly acquired jurisdiction over the parties and the subject matter. Respondent, however, contends that the trial court did not acquire jurisdiction over the property subject of the action, as the action was instituted in Makati City while the subject unit is situated in Quezon City.

We find, however, that in his answer to the complaint dated October 3, 1994, respondent alleged:

> 20. That should the said additional provision be declared valid and in the remote possibility that the alleged conflicting claimant is adjudged to possess better right herein answering defendant is asserting his right as a buyer for value and in good faith against all persons/parties concerned.[10] (Italics supplied)

Respondent in his answer also prayed that:

> D. Should the said additional provision be found valid and in the event his co-defendant is found to possess better rights, to adjudge him (Diaz) entitled to rights as a buyer in good faith and for value.[11]

By asserting his right as a buyer for value and in good faith of the subject property, and asking for relief arising therefrom, respondent invoked the jurisdiction of the trial court. Having invoked the jurisdiction of the Regional Trial Court of Makati (Branch 146) by filing his answer to secure affirmative relief against petitioner, respondent is now estopped from challenging the jurisdiction of said court after it had decided the case against him. Surely we cannot condone here the undesirable practice of a party submitting his case for decision and then accepting the judgment only if favorable, but attacking it on grounds of jurisdiction when adverse.[12]

Respondent also claims that there is no identity of causes of action between Civil Case No. 94-2086, the prior case, and Civil Case No. 96-1372, the present case subject of this petition, as the former involved a complaint for interpleader while the latter now involves an action for a sum of money and damages. He avers that a complaint for interpleader is nothing more than the determination of rights over the subject matter involved.

In its assailed decision, respondent Court of Appeals pointed out that the 1997 Rules of Civil Procedure provide that in a case for interpleader, the court shall determine the respective rights and obligations of the parties and adjudicate their respective claims.[13] The appellate court noted, however, that the defendants in that interpleader case, namely Diaz and Arreza, did not pursue the issue of damages and reimbursement although the answer of respondent Diaz did pray for affirmative relief arising out of the rights of a buyer in good faith.[14]

Following the same tack, respondent Diaz now alleges that the issues in the prior case, Civil Case No. 94-2086, were delimited by the pre-trial order which did not include matters of damages and reimbursement as an issue. He faults petitioner for not raising such issues in the prior case, with the result that the trial court did not resolve the

rights and obligations of the parties. There being no such resolution, no similar cause of action exists between the prior case and the present case, according to respondent Diaz.

Respondent in effect argues that it was incumbent upon petitioner as a party in Civil Case No. 94-2086 to put in issue respondent's demands for reimbursement. However, it was not petitioner's duty to do the lawyering for respondent. As stated by the Court of Appeals, the court in a complaint for interpleader shall determine the rights and obligations of the parties and adjudicate their respective claims. Such rights, obligations and claims could only be adjudicated if put forward by the aggrieved party in assertion of his rights. That party in this case referred to respondent Diaz. The second paragraph of Section 5 of Rule 62 of the 1997 Rules of Civil Procedure provides that the parties in an interpleader action may file counterclaims, cross-claims, third party complaints and responsive pleadings thereto, "as provided by these Rules." The second paragraph was added to Section 5 to expressly authorize the additional pleadings and claims enumerated therein, in the interest of a complete adjudication of the controversy and its incidents.[15]

Pursuant to said Rules, respondent should have filed his claims against petitioner Arreza in the interpleader action. Having asserted his rights as a buyer in good faith in his answer, and praying relief therefor, respondent Diaz should have crystallized his demand into specific claims for reimbursement by petitioner Arreza. This he failed to do. Such failure gains significance in light of our ruling in Baclayon vs. Court of Appeals, 182 SCRA 761, 771-772 (1990), where this Court said:

> A corollary question that We might as well resolve now (although not raised as an issue in the present petition, but conformably with Gayos, et al. v. Gayos, et al., G.R. No. L-27812, September 26, 1975, 67 SCRA 146, that it is a cherished rule of procedure that a court should always strive to settle the entire controversy in a single proceeding leaving no root or branch to bear the seeds in future litigation) is whether or not the private respondents can still file a separate complaint against the petitioners on the ground that they are builders in good faith and consequently, recover the value of the improvements introduced by them on the subject lot. The case of Heirs of Laureano Marquez v. Valencia, 99 Phil. 740, provides the answer:
>
> > If, aside from relying solely on the deed of sale with a right to repurchase and failure on the part of the vendors to purchase it within the period stipulated therein, the defendant had set up an alternative though inconsistent defense that he had inherited the parcel of land from his late maternal grandfather and presented evidence in support of both defenses, the overruling of the first would not bar the determination by the court of the second. The defendant having failed to set up such alternative defenses and chosen or elected to rely on one only, the overruling thereof was a complete determination of the controversy between the parties which bars a subsequent action based upon an unpleaded defense, or any other cause of action, except that of failure of the complaint to state a cause of action and of lack of jurisdiction of the Court. The determination of the issue joined by the parties constitutes res judicata. (italics supplied)

Although the alternative defense of being builders in good faith is only permissive, the counterclaim for reimbursement of the value of the improvements is in the nature of a compulsory counterclaim. Thus, the failure by the private respondents to set it up bars their right to raise it in a subsequent litigation (Rule 9, Section 4 of the Rules of Court). While We realize the plight of the private respondents, the rule on compulsory counterclaim is designed to enable the disposition of the whole controversy at one time and in one action. The philosophy of the rule is to discourage multiplicity of suits. (Italics supplied)

Having failed to set up his claim for reimbursement, said claim of respondent Diaz being in the nature of a compulsory counterclaim is now barred.[16]

In cases involving res adjudicata, the parties and the causes of action are identical or substantially the same in the prior as well as the subsequent action. The judgment in the first action is conclusive as to every matter offered and

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received therein and as to any other matter admissible therein and which might have been offered for that purpose, hence said judgment is an absolute bar to a subsequent action for the same cause.[17] The bar extends to questions "necessarily involved in an issue, and necessarily adjudicated, or necessarily implied in the final judgment, although no specific finding may have been made in reference thereto, and although such matters were directly referred to in the pleadings and were not actually or formally presented."[18] Said prior judgment is conclusive in a subsequent suit between the same parties on the same subject matter, and on the same cause of action, not only as to matters which were decided in the first action, but also as to every other matter which the parties could have properly set up in the prior suit.[19]

In the present case, we find there is an identity of causes of action between Civil Case No. 94-2086 and Civil Case No. 96-1372. Respondent Diaz's cause of action in the prior case, now the crux of his present complaint against petitioner, was in the nature of an unpleaded compulsory counterclaim, which is now barred. There being a former final judgment on the merits in the prior case, rendered in Civil Case No. 94-2086 by Branch 146 of the Regional Trial Court of Makati, which acquired jurisdiction over the same parties, the same subject property, and the same cause of action, the present complaint of respondent herein (Diaz) against petitioner Arreza docketed as Civil Case No. 96-1372 before the Regional Trial of Makati, Branch 59 should be dismissed on the ground of res adjudicata.

WHEREFORE, the instant petition is GRANTED. The decision dated December 24, 1997 and the resolution dated March 6, 1998 of the Court of Appeals in CA-G.R. SP No. 43895 are REVERSED and SET ASIDE. Civil Case No. 96-1372 before the Regional Trial Court of Makati City, Branch 59, is hereby ordered DISMISSED as against herein petitioner Edgar H. Arreza. Costs against respondent.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Buena, and De Leon, Jr., JJ., concur.

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[1] Rollo, pp. 32-37.

[2] Id. at 30.

[3] Id. at 103-104.

[4] Without "Jr." in the CA decision and in some portions of the records and rollo.

[5] Rollo, pp. 32-36.

[6] Id. at p.30.

[7] Id. at 16.

[8] Toledo-Banaga vs. Court of Appeals, 302 SCRA 331, 341 (1999).

[9] Rollo, pp. 141-144.

[10] Id. at 46.

[11] Id. at 48.

[12] Tijam vs. Sibonghanoy, 23 SCRA 29, 36 (1968).

[13] Rollo, p. 35; Section 6, Rule 62.

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[14] Rollo, pp. 35-36.

[15] F. Regalado, REMEDIAL LAW COMPENDIUM, p. 690 (6[th] ed. 1997).

[16] Section 2, Rule 9, 1997 Rules of Civil Procedure.

[17] F. Regalado, REMEDIAL LAW COMPENDIUM, p. 472 (6[th] ed. 1997).

[18] Vergara vs. Rugue, 78 SCRA 312, 327-328 (1977).

[19] Yusingco vs. Ong Hing Lian, 42 SCRA 589, 602 (1971).

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