JOSE RIVERO, JESSIE RIVERO AND AMALIA RIVERO, PETITIONERS, VS. COURT OF APPEALS, MARY JANE DY CHIAO-DE GUZMAN, AND BENITO DY CHIAO, JR., REPRESENTED BY HIS UNCLE HENRY S. DY CHI...

G.R. NO. 141273. May 17, 2005

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review on certiorari of the Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 44261 annulling the decision of the Regional Trial Court (RTC) of Naga City, Branch 19, in Civil Case No. RTC'96-3612.

The Antecedents

On August 27, 1996, Benedick Arevalo filed a Complaint[2] against Mary Jane Dy Chiao-De Guzman, Benito Dy Chiao, Jr., and Benson Dy Chiao, in the Regional Trial Court (RTC) of Naga City, for compulsory recognition as the illegitimate child of their father, Benito Dy Chiao, Sr., and for the administration and partition of his estate as he had died intestate on July 27, 1995. Since Benedick was a minor, his natural mother and guardian ad litem, Shirley Arevalo, filed the complaint on his behalf. Concepcion, Benito Sr.'s wife, was not impleaded as she had died on July 7, 1995. The case was docketed as Civil Case No. RTC 296-3612 and raffled to Branch 19 of the court.[3]

Benedick, whose counsel was Atty. Amador L. Simando, made the following allegations in his complaint:

During his lifetime, Benito Dy Chiao, Sr. was engaged in business, under the business name Benito Commercial in Naga City. He courted Shirley Arevalo (Benedick's mother) in 1991, assuring her of his sincere love, likewise promising that her college education would be financed and that she would be provided with a better life. Blinded by his promises and assurances of his love for her, Shirley agreed to an amorous relationship with Benito, Sr. True to his word, Benito, Sr. then provided her with a residential house and lot located in Canaman, Camarines Sur, where they cohabited and resided; he also financed her college education in midwifery. On October 5, 1995, "Benedick Arevalo Dy Chiao, Jr.," the plaintiff, was born, the product of the amorous relationship, whom Benito, Sr. acknowledged as his son. He also continued to give Shirley and their son financial and moral support.

It was also alleged that the Dy Chiao siblings recognized Benedick as the illegitimate son of their father. Moreover, when he died intestate, Benito, Sr. left behind residential lands and commercial buildings worth P100,000,000.00, more or less; as such, there was a need for the appointment of an administrator of the estate to preserve his (Benedick's) rights over the same before its partition. It was prayed that upon the filing of the complaint, Benedick's mother be appointed as his guardian ad litem, that an administrator of the estate of the deceased be appointed, and that after due proceedings, judgment be rendered in favor of Benedick, as follows:

- declaring the Plaintiff as the illegitimate son of the late Benito Dy Chiao.

> - ordering herein Defendants to recognize and acknowledge the Plaintiff as the illegitimate son of the late Benito Dy Chiao.
>
> - ordering the Partition of the Estate of Benito Dy Chiao and distributing the same in favor of the Defendants and herein Plaintiff in a manner provided for by law.
>
> - granting the Plaintiff such other reliefs as may be just and equitable under the law.[4]

In an answer to the complaint, Mary Jane, through counsel, for herself, and purportedly in behalf of her brothers, denied the allegations that Shirley and her father had an amorous relationship and that Benedick was the illegitimate son of their father for want of knowledge or information; the allegation that they had recognized Benedick as the illegitimate son of their father was, likewise, specifically denied. Finally, she alleged that the plaintiff's action was for a claim against the estate of their father, which should be filed in an action for the settlement of the estate of their deceased parents.[5]

On October 28, 1996, Benedick filed a Motion,[6] praying that the court order a mental examination of the Dy Chiao brothers, who were patients at the Don Susano J. Rodriguez Mental Hospital, and for the appointment of their sister as their guardian ad litem in the case. It was, likewise, prayed that the director of the hospital be summoned to appear before the court to inform it of the mental condition of the Dy Chiao brothers.

On December 6, 1996, Benedick filed a Motion[7] set for hearing on December 9, 1996, reiterating his plea for the appointment of Mary Jane as guardian ad litem of her brothers. That same day, however, the plaintiff, through counsel, filed a "Compromise Agreement" dated November 24, 1996, with the following signatories to the agreement: Shirley Arevalo, for the plaintiff and assisted by counsel, Atty. Amador L. Simando; and Mary Jane Dy Chiao-De Guzman, assisted by counsel, Atty. Adan Marcelo B. Botor, purportedly for and in behalf of her brothers.

Appended to the agreement was a photocopy of a Special Power of Attorney (SPA)[8] dated September 20, 1995, notarized and certified by Atty. Edmundo L. Simando, purportedly signed by the Dy Chiao brothers, who were then still confined in the hospital. Mary Jane was therein appointed to be their attorney-in-fact, with the following powers:

> - To represent us in negotiations and be our representative with power to sign Agreements or Contracts of Lease involving property and/or assets belonging to the estate of our late father Benito Dy Chiao, Sr. while said estate is not yet settled between (sic) all heirs; as well as to collect rentals and other money due to the estate by reason of said agreements or contracts;
>
> - To file or cause to be filed the necessary proceedings for the settlement of the estate of our late father, and to ask for letters of administration in her favor as a next of kin or as someone selected by us, next of kin, to be the administrator.

On December 13, 1996, the trial court approved the agreement and rendered judgment on the basis thereof, quoted as follows:

> Before this Court is a COMPROMISE AGREEMENT entered into by and between the parties in this case which is herein below quoted, thus:
>
> "COMPROMISE AGREEMENT
>
> Plaintiff and defendant Maryjane Dy Chiao-De Guzman duly assisted by their respective counsels hereby submit the following Compromise Agreement:
>
> - That the defendant Maryjane Dy Chiao-De Guzman hereby recognizes the plaintiff as the illegitimate son of

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her deceased father Benito Dy Chiao, Sr.;

- That in full satisfaction and settlement of plaintiff's claim from the estate of the late Benito Dy Chiao, Sr., defendant Maryjane Dy Chiao De Guzman for herself and in behalf of her brothers, who are likewise defendants in this case, hereby agree and bind herself to pay the plaintiff the amount of P6,000,000.00 which shall be taken from the estate of the late Benito Dy Chiao, Sr., which amount shall be payable under the following terms and conditions:

- The amount of P1,500,000.00 shall be payable upon signing of this Compromise Agreement;

- The balance of P4,500,000.00 shall be payable within the period of one year from the date of signing of this Compromise Agreement and for which the defendant Maryjane Dy Chiao-De Guzman shall issue twelve (12) checks corresponding to the said balance in the amount of P375,000.00 per check;

- That the parties hereby waive other claims and counterclaims against each other;

- That any violation of this Compromise Agreement shall render the same to be immediately executory.

WHEREFORE, it is respectfully prayed of this Honorable Court that the foregoing Compromise Agreement be approved and a decision be rendered in accordance therewith.

Naga City, Philippines, November 24, 1996.

(SGD.)

BENEDICK AREVALO

MARYJANE DY CHIAO-DE GUZMAN

Plaintiff

Defendant

represented by:

(SGD.)

SHIRLEY AREVALO

Natural Guardian & Guardian

Ad Litem

Assisted by:

(SGD.)

(SGD.)

AMADOR L. SIMANDO

ADAN MARCELO BOTOR

Counsel for the Plaintiff

Counsel for the Defendants'

Counsel for the Plaintiff Counsel for the Defendants'

WHEREFORE, finding the foregoing Compromise Agreement to be the law between the parties, not being

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> tainted with infirmities, irregularities, fraud and illegalities, and the same not being contrary to law, public order, public policy, morals and good customs, JUDGMENT is hereby rendered APPROVING the same.
>
> Parties are hereby enjoined to faithfully abide by the terms and conditions of the foregoing Compromise Agreement.
>
> No pronouncement as to costs.
>
> SO ORDERED.[9]

It appears that a copy of the decision was sent by registered mail to the Dy Chiao brothers to the "Benito Commercial Building, Naga City."

On December 17, 1996, Mary Jane, through Atty. Simando, (the counsel for Benedick in Civil Case No. RTC'96-3612), filed a petition with the RTC for the settlement of the estate of her father and for her appointment as administrator thereto. The case was docketed as Special Proceedings No. RTC296-684 and raffled to Branch 20 of the court; it was later transferred to Branch 19.

On April 3, 1997, Benedick filed a Motion for Execution,[10] of the Decision dated November 24, 1996, on the allegation that the defendants had failed to comply with their obligations under the compromise agreement. The trial court granted the motion in an Order[11] dated April 7, 1997. Conformably, it issued a Writ of Execution[12] for the enforcement of the said decision.

On April 18, 1997, Benedick terminated the services of Atty. Simando since he was Mary Jane's counsel in Special Proceedings No. 96-684.

On April 28, 1997, the sheriff issued a Notice of Sale on Execution of Real Property[13] over five parcels of land titled under Benito Dy Chiao, Sr., including the improvements thereon.

The Dy Chiao brothers, represented by their uncle, Henry S. Dy Chiao, then filed with the CA a Petition for Annulment of Judgment with Urgent Prayer for the Issuance of a Temporary Restraining Order dated May 27, 1997, assailing the decision of the RTC in Civil Case No. RTC'96-3612, as well as the writ of execution issued pursuant thereto. The petition alleged that the Dy Chiao brothers had no legal capacity to be sued because they were of unsound mind, which impelled their uncle Henry to file a petition for guardianship over their person and property, now pending in the RTC of Naga City, Branch 61, docketed as Special Proceedings No. RTC'97-695. They did not authorize their sister Mary Jane to execute any compromise agreement for and in their behalf; yet, in confabulation with Benedick's counsel, she was able to secure a judgment based on a void compromise agreement. It was further alleged that the Dy Chiao brothers were unaware of the complaint against them and that they did not engage the services of the law firm of Botor, Hidalgo & Fernando Associates to represent them as counsel in said cases. As such, the said counsel had no authority to file the answer to the complaint for and in their behalf. It was further pointed out that less than a month before the said compromise agreement was executed by their sister, she filed purportedly in their behalf, on November 22, 1996, a petition for the settlement of the estate of their parents in the RTC of Naga City, with the assistance of Atty. Simando (Benedick's counsel), as well as for the issuance of letters of administration in her favor, docketed as Special Proceedings No. RTC'96-684.[14] There was thus collusion between Mary Jane and Atty. Simando.

The Dy Chiao brothers, likewise, opposed the appointment of their sister as the administrator of their parents' estate.[15] The verification and certification of non-forum shopping in the petition was signed by their uncle Henry as their representative.

On May 29, 1997, the CA issued a status quo order. However, before the said order was served on Benedick,

several lots covered by Transfer Certificate of Title (TCT) No. 16931 in the name of Benito, Sr. had already been sold at public auction: Lot No. 3, to Jose Rivero for P6,400,000.00; Lot No. 4 to Jessie Rivero for P7,600,000.00 and Lot No. 5, for P7,000,000.00, to Amalia Rivero. Another property covered by TCT No. 5299 had also been sold to Consuelo Dy for P310,000.00.[16] The buyers at public auction had already remitted the amounts of P15,319,364.00 and P162,836.00 to the executing sheriffs,[17] who later remitted P5,711,164.00 to Benedick through his mother, Shirley, in satisfaction of the decision,[18] and the remainder given to the Clerk of Court of the RTC.

On June 3, 1997, Sheriffs Arthur S. Cledera and Arnel Jose A. Rubio executed a Provisional Certificate of Sale[19] over the property to the buyers at public auction.

The Dy Chiao brothers, through their uncle Henry, then filed a motion for the issuance of a writ of preliminary mandatory injunction with urgent prayer for the issuance of a temporary restraining order, informing the CA of the recent developments in the case below. In a Resolution[20] dated July 14, 1997, the appellate court granted their plea for a writ of preliminary injunction upon the filing of a P500,000.00 bond, directing as follows:

> (a) the private respondents and/or the sheriffs of the respondent court to deposit before the Branch Clerk of Court of the Regional Trial Court, Branch 19, Naga City, the proceeds of the public auction sale held on June 3, 1997 and to submit to this Court within five (5) days from notice, proof of compliance therewith;
>
> (b) Sheriffs Arnel Jose Rubio and Arthur Cledera, through the respondent court, to refrain from issuing any certificate of sale over the properties sold at the public auction sale conducted on the aforementioned date;
>
> (c) the respondent court to issue a notice of lis pendens on all the properties affected by [the] public auction sale conducted on June 3, 1997 and cause its registration with the Register of Deeds concerned within five (5) days from notice.

The sheriff was, likewise, directed to refrain and/or cease and desist from issuing/effecting any further certificate of sale over the affected properties.[21] On August 15, 1997, the RTC issued an Order[22] directing the Register of Deeds of Naga City to comply with the CA resolution.

Meantime, Benson died intestate on June 25, 1997.[23] His brother, Benito, Jr. then filed a Notice of Death and Substitution, and thereafter, a Motion to Admit an Amended Petition to drop Benson as petitioner, and the inclusion of his sister Mary Jane, as party respondent, as well as those who participated in the public auction, namely, Jose Rivero, Jessie Rivero, Amalia Rivero and Consuelo Dy. The CA granted the motion in a Resolution[24] dated January 14, 1998.

Thereafter, Atty. Botor, Mary Jane's new counsel, filed an Entry of Appearance with Motion to Dismiss,[25] alleging, inter alia, that an extrajudicial settlement between the heirs of the spouses Dy Chiao had already been executed. Benito, Jr., represented by his uncle Henry, opposed the motion,[26] alleging that a dismissal grounded on the extrajudicial settlement alone was improper, since what was being assailed was a decision of a court based on a compromise agreement involving one who is not a party thereto, with third-party bidders acting in bad faith. In a Resolution[27] dated February 27, 1998, the CA directed Mary Jane to submit her reply to the opposition to the motion to dismiss filed by Henry on behalf of Benito, Jr.

In her compliance and comment/manifestation,[28] Mary Jane declared that there appeared to be a sound basis for the nullification of the assailed decision since the illegitimate filiation of Benedick could not be the subject of a compromise agreement. She further alleged that the parties thereunder did not recognize the validity of the compromise agreement, as in fact she and the petitioners were exploring the possibility of modifying their extrajudicial settlement.[29]

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Benedick, represented by his mother Shirley, presented before the appellate court an SPA dated October 31, 1996 executed by Benito, Jr., prepared by Atty. Simando, authorizing Atty. Botor to enter into a compromise agreement in the RTC.[30]

On March 31, 1999, the CA rendered judgment in favor of Benito, Jr., granting the petition and nullifying the assailed decision and writ of execution issued by the RTC, including the sale at public auction of the property of the deceased. The appellate court ruled that the RTC had no jurisdiction over Benedick's action for recognition as the illegitimate son of Benito, Sr. and for the partition of his estate. It further held that the filiation of a person could not be the subject of a compromise agreement; hence, the RTC acted without jurisdiction in rendering judgment based thereon. It concluded that the said compromise agreement was procured through extrinsic fraud.

The CA ordered the Clerk of Court of the RTC of Naga City to deliver to the trial court within ten days from finality of said judgment, the amount of P15,482,200.00, together with all interests earned therefrom, and to thereafter distribute the aggregate amount to the buyers of the said properties, in proportion to the amounts they had paid. It also ordered Benedick, through his mother Shirley, to turn over to the trial court, within ten days from finality of judgment, the amount of P5,711,164.00 received from Sheriffs Rubio and Cledera, together with all other amounts that she might have been paid pursuant to the compromise agreement. This was, however, without prejudice to the buyers' right of recourse against Mary Jane, who was declared subsidiarily liable therefor. The RTC was, likewise, directed to return to the buyers the aggregate amount in the same proportion as above stated; thereafter, the properties would be delivered to the intestate estate of Benito, Sr. for proper disposition by the intestate court.[31]

Jose Rivero, Jessie Rivero and Amalia Rivero filed a motion for the reconsideration of the decision, on the following grounds:

> - THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE COMPROMISE AGREEMENT IS INVALID DUE TO EXTRINSIC FRAUD;
>
> - THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE RESPONDENT COURT ACTED WITHOUT JURISDICTION IN RENDERING THE ASSAILED JUDGMENT IN THIS CASE;
>
> - THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE PUBLIC AUCTION SALE CONDUCTED ON JUNE 2, 1997 WAS VOID; AND
>
> - THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT PRIVATE RESPONDENTS JOSE, JESSIE AND AMALIA, ALL SURNAMED RIVERO COULD NOT HAVE LEGALLY BECOME THE OWNERS OF THE PROPERTIES SOLD AT THE PUBLIC AUCTION SALE.[32]

Upon the denial of their motion for reconsideration thereof, they filed the present petition for review on certiorari.

The Present Petition

The petitioners raise the following issues: (1) whether or not Henry Dy Chiao had the authority to file the amended petition for Benito Dy Chiao, Jr.; (2) whether or not the RTC had jurisdiction over the action of Benedick Arevalo for recognition as the illegitimate son of the deceased Benito Dy Chiao, Sr., as well as the action for partition and distribution of the latter's estate; and (3) whether the decision of the RTC based on the compromise agreement is null and void for extrinsic fraud and lack of jurisdiction.[33]

On the first issue, the petitioners aver that the verification and certification of non-forum shopping contained in the petition with the CA was executed by Henry; hence, it was he and not Benson or Benito, Jr. who filed the petition. Moreover, Henry had no proof of his authority to file the petition for and in behalf of the brothers. The petitioners assert that there was no need for Henry to file the petition with the CA, since the Dy Chiao brothers

had the legal capacity to do so, as admitted by their counsel, and Henry himself. Moreover, there was no law mandating Henry to represent his nephews in all actions which may redound to their benefit.

The petitioners point out that although Henry sought to remedy the situation by filing an amended petition praying that he be appointed as guardian ad litem for the Dy Chiao brothers, the CA did not take cognizance of the allegations in the petition. The CA was correct in so doing, since the matter of whether one is incompetent should be threshed out in the guardianship proceedings, Special Proceedings No. RTC'97-695, and not in the CA via a petition to annul the judgment of the RTC, where Benito, Jr. is also a party respondent.

On the other issues, the petitioners maintain that the CA erred in annulling the decision of the RTC based on the compromise agreement on the ground of extrinsic fraud; the alleged fraud was committed by Mary Jane as an incident to the trial. What the CA should have done was to dismiss the petition, without prejudice to the rights of the Dy Chiao brothers to file an action against their sister. The latter was herself a party to the compromise agreement and also a principal party to the case; hence, was bound by it. As a matter of fact, the petitioners aver, Mary Jane was appointed by her brothers as their attorney-in-fact to negotiate for and execute the compromise agreement in their behalf.

The petitioners further assert that the RTC had jurisdiction over the petition filed by Benedick in the RTC, and that the latter's recourse was based on paragraph 1, Article 172 of the Family Code, although his putative father, Benito Dy Chiao, Sr., was already dead when the complaint was filed.

The petitioners thus insist that the public auction sale conducted by the sheriff on the subject properties was valid.

In her comment on the petition, Mary Jane avers that the decision of the CA holding that the compromise agreement was vitiated by extrinsic fraud is correct. She claims that she was made to sign the agreement, but was not informed of its intricacies. She insists that she does not have any liability to Benedick in Civil Case No. RTC'96-3612, despite her being a signatory to the said agreement.

For his part, respondent Benito, Jr., through his uncle Henry, avers that the latter's authority to file the amended petition before the CA in their behalf was never questioned by the petitioners. He asserts that the CA admitted the amended petition containing the prayer that his uncle Henry be appointed as his guardian ad litem. Besides, the CA found that he and his brothers were not of sound and disposing minds; hence, the need for a guardian ad litem in the person of his uncle. He further alleges that the compromise agreement was the product of connivance between his sister and Benedick, and their respective counsels. He further points out that Atty. Simando, Benedick's counsel in the RTC, was likewise the counsel for Mary Jane when she filed her petition for letters of administration in the RTC of Naga City on December 17, 1996. He further insists that the ruling of the CA on the issues of extrinsic fraud and lack of jurisdiction of the RTC is in accord with law, and that the decision based on the compromise agreement was null and void for lack of jurisdiction.[34]

The Ruling of the Court

The petition is denied for lack of merit.

On the first issue, we reject the petitioners' contention that Henry was the petitioner who filed the amended petition before the CA. As gleaned from said petition, the petitioners were "Benito Dy Chiao, Jr. and Benson Dy Chiao, represented by their uncle Henry S. Dy Chiao." Moreover, Henry had the authority to file the amended petition and sign the requisite certification on non-forum shopping when the CA admitted the amended petition and appointed him as guardian ad litem of his nephews. This was in the January 14, 1998 Resolution of the CA, where the following findings were made:

> x x x We find the opposition to be devoid of merit, firstly because there is an obvious necessity to amend the

> petition; and secondly, because the representation of an incompetent need not be by a duly appointed judicial guardian. A guardian ad litem may be appointed by the court. In the instant case, the members of this Court who conducted the several hearings herein, are convinced from an observation of the petitioners that they are not of a sound or disposing mind. x x x[35]

In resolving whether to appoint a guardian ad litem for the respondent, the appellate court needed only to determine whether the individual for whom a guardian was proposed was so incapable of handling personal and financial affairs as to warrant the need for the appointment of a temporary guardian. It only needed to make a finding that, based on clear and convincing evidence, the respondent is incompetent and that it is more likely than not that his welfare requires the immediate appointment of a temporary guardian.[36] A finding that the person for whom a guardian ad litem is proposed is incapable of managing his own personal and financial affairs by reason of his mental illness is enough.[37]

Guardians ad litem are considered officers of the court in a limited sense, and the office of such guardian is to represent the interest of the incompetent or the minor.[38] Whether or not to appoint a guardian ad litem for the petitioners is addressed to the sound discretion of the court where the petition was filed, taking into account the best interest of the incompetent or the minor.[39] The court has discretion in appointing a guardian ad litem that will best promote the interest of justice.[40] The appointment of a guardian ad litem is designed to assist the court in its determination of the incompetent's best interest.[41]

The records will show that no less than Benedick Arevalo sought the appointment of Mary Jane Dy Chiao-De Guzman as guardian ad litem for respondent Benito Dy Chiao, Jr. and his brother, Benson Dy Chiao, before the RTC in Civil Case No. RTC'96-3612.

It must be stressed that the appellate court was not proscribed from appointing Henry as guardian ad litem for the respondents, merely because of the pendency of his petition for appointment as guardian over their person and property before Branch 61 of the RTC. Time was of the essence; the RTC had issued a writ of execution for the enforcement of its decision based on the compromise agreement; the plaintiff therein, Benedick Arevalo, was bent on enforcing the same, and had in fact caused the sale of five parcels of land belonging to the estate of Benito, Sr. worth millions of pesos. Indeed, the sheriff was able to sell at public auction prime real property of the estate of the deceased for P20,000,000.00 before the status quo order of the CA reached him.

It goes without saying that the finding of the CA on the mental capacity of the respondents is without prejudice to the outcome of the petition in Special Proceedings No. RTC'97-695.

The petitioners' claims that there was no factual basis for the appellate court's finding that the respondents were incompetent cannot prevail. It must be stressed that the CA conducted a hearing before arriving at the conclusion that respondent Benito, Jr. was incompetent. More importantly, such claim involves a factual issue which cannot be raised before this Court under Rule 45 of the Rules of Court.

On the issue of jurisdiction, case law has it that the jurisdiction of the tribunal over the nature and subject matter of an action is to be determined by the allegations of the complaint, the law in effect when the complaint was filed and the character of the relief prayed for by the plaintiff. The caption of the complaint is not determinative of the nature of the action. If a court is authorized by statute to entertain jurisdiction in a particular case only and undertakes to exercise jurisdiction in a particular case to which the statute has no application, the judgment rendered is void. The lack of statutory authority to make a particular judgment is akin to lack of subject-matter jurisdiction.[42]

The CA nullified the decision of the RTC on the ground, inter alia, that the filiation of Benedick could not be the subject of a compromise, and that Mary Jane had no authority to execute the compromise agreement for and in

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behalf of her brothers.

The petitioners, for their part, maintain that Mary Jane's recognition of Benedick as the illegitimate son of her father was not a compromise, but an affirmation of the allegations in the complaint that the Dy Chiao siblings had, in effect, recognized him as the illegitimate son of their deceased father. The petitioners posit that the admissions in the compromise agreement are likewise binding on the Dy Chiao siblings.

The contention of the petitioners is bereft of merit. The Court finds and so holds that the decision of the RTC based on the compromise agreement executed by Mary Jane is null and void.

Article 2035(1) of the New Civil Code provides that no compromise upon the civil status of persons shall be valid. As such, paternity and filiation, or the lack of the same, is a relationship that must be judicially established, and it is for the court to determine its existence or absence. It cannot be left to the will or agreement of the parties.[43]

A compromise is a contract whereby parties, making reciprocal concerns, avoid litigation or put an end to one already commenced.[44] Like any other contract, it must comply with the requisite provisions in Article 1318 of the New Civil Code, to wit: (a) consent of the contracting parties; (b) object certain which is the subject matter of the contract; and (c) cause of the obligation which is established. Like any other contract, the terms and conditions of a compromise agreement must not be contrary to law, morals, good customs, public policy and public order.[45] Any compromise agreement which is contrary to law or public policy is null and void, and vests no rights and holds no obligation to any party. It produces no legal effect at all.[46] Considering all these, there can be no other conclusion than that the decision of the RTC on the basis of a compromise agreement where Benedick was recognized as the illegitimate child of Benito, Sr. is null and void.

Article 1878 of the New Civil Code provides that an SPA is required for a compromise. Furthermore, the power of attorney should expressly mention the action for which it is drawn; as such, a compromise agreement executed by one in behalf of another, who is not duly authorized to do so by the principal, is void and has no legal effect, and the judgment based on such compromise agreement is null and void.[47] The judgment may thus be impugned and its execution may be enjoined in any proceeding by the party against whom it is sought to be enforced.[48] A compromise must be strictly construed and can include only those expressly or impliedly included therein.[49]

As previously stated, the Court is convinced that the compromise agreement signed by Mary Jane and Benedick was a compromise relating to the latter's filiation. Mary Jane recognized Benedick as the illegitimate son of her deceased father, the consideration for which was the amount of P6,000,000.00 to be taken from the estate, the waiver of other claims from the estate of the deceased, and the waiver by the Dy Chiao siblings of their counterclaims against Benedick. This is readily apparent, considering that the compromise agreement was executed despite the siblings' unequivocal allegations in their answer to the complaint filed only two months earlier, that Benedick was merely an impostor:

> 11. That paragraph 11 is DENIED for the truth of the matter is that they have not recognized any person or impostor who pretends having a filial relation with their deceased father by reason of herein Defendant's father's incapacity to bear children or to engage in any carnal act considering the age and physical state of their father at that time alluded to by the Plaintiff ... .[50]

To stress, the compromise agreement executed by Benedick and Mary Jane is null and void; as such, the decision of the RTC based thereon is also without force and effect.

It is, likewise, plain as day that only Mary Jane recognized Benedick as the illegitimate son of her deceased father

–

- That the defendant Maryjane Dy Chiao-De Guzman hereby recognizes the plaintiff as the illegitimate son of her deceased father Benito Dy Chiao, Sr.[51]

Such recognition, however, is ineffectual, because under the law, the recognition must be made personally by the putative parent and not by any brother, sister or relative.[52]

It is conceded that Mary Jane, in her behalf, and purportedly in behalf of her brothers, agreed and bound herself to pay Benedick the amount of P6,000,000.00 to be taken from the estate of their deceased father. However, a cursory reading of the SPA on record will show that the Dy Chiao brothers did not authorize their sister to recognize Benedick as the illegitimate son of their father. They could not have agreed to pay P6,000,000.00 to be taken from the estate, because they had denied that Benedick was the illegitimate son of their father in their answer to the complaint.

On the assumption that the Dy Chiao brothers had signed the SPA on September 20, 1995, a cursory reading of the compromise agreement will show that they did not specifically empower their sister to enter into a compromise agreement with Benedick in Civil Case No. RTC'96-3612. It bears stressing that the SPA was executed as early as September 20, 1995, while the complaint was filed with the RTC almost a year thereafter, or on August 27, 1996.

The trial court acted with precipitate and inordinate speed in approving the compromise agreement. The records show that at about the time when it was executed by Mary Jane, her brothers were patients at the Don Susano J. Rodriguez Mental Hospital, and Benedick had accused her of being a spendthrift by reason of her alleged addiction to drugs.[53]

On his belief that the Dy Chiao brothers were incompetent, Benedick even filed a motion for the appointment of a guardian ad litem for them, and for the examination of Mary Jane for drug addiction, as follows:

> WHEREFORE, it is most respectfully prayed of this Honorable Court that after hearing, an order be issued, as follows:
>
> - Appointing a Special Administrator and/or Receiver over the Estate of Benito Dy Chiao [Sr.];
>
> - Appointing Guardian Ad Litem over the person of Defendants Benito, Jr. and Benson Dy-Chiao;
>
> - Ordering defendant Maryjane Dy Chiao to submit a medical examination by a medical expert on drugs to be commissioned by the Honorable Court to determine whether or not said defendant is a drug dependent.[54]

Indeed, Benedick filed a Motion on November 14, 1996, for the Dy Chiao siblings to appear before the RTC at 8:30 a.m. of November 18, 1996. He, likewise, prayed that the Director of the Don Susano J. Rodriguez Mental Hospital be directed to bring the clinical records of the brothers, which the trial court granted per its Order dated November 12, 1996.[55]

Upon Mary Jane's failure to appear for the hearing, Benedick even sought to have her cited in contempt of court. Despite his charge that Mary Jane was a drug addict and a spendthrift, he, nevertheless, prayed in his Motion dated December 5, 1996, that she be appointed the special administratrix of the estate of Benito, Sr. and the guardian ad litem of her brothers, thus:

> WHEREFORE, in light of all the foregoing considerations, it is most respectfully prayed of this Honorable Court that Maryjane Dy Chiao- De Guzman be appointed as Special Administrator over the Estate of the late Benito Dy Chiao, Sr., and as Guardian Ad Litem of defendants Benito, Jr., and Benson Dy Chiao.[56]

Barely two weeks earlier, or on November 24, 1996, Mary Jane Dy Chiao-De Guzman (whom Benedick branded as a spendthrift and a drug addict), executed the compromise agreement, not only in her behalf, but also in behalf of her brothers, who were confined in the hospital and whom Benedick considered as mentally incompetent, and needed a guardian ad litem. The trial court ignored all the foregoing proceedings and approved the compromise agreement without bothering to resolve the issue of whether the Dy Chiao brothers were indeed incompetent, and whether there was a need to appoint a guardian ad litem for them.

What is so worrisome is that the counsel of the Dy Chiao siblings, Atty. Botor, did not even bother to file any pleading in his clients' behalf, relative to the motions filed by Benedick. Despite the allegations that the Dy Chiao brothers were in the mental hospital and needed a guardian ad litem, and that Mary Jane was a spendthrift and a drug addict, Atty. Botor still proceeded to sign the compromise agreement as their counsel. More ominously, the said counsel knew that it was he who had been empowered by the Dy Chiao brothers to compromise Civil Case No. RTC'96-3612 (based on the SPA dated October 31, 1996); yet, he still allowed Mary Jane to execute the same based on an SPA dated September 20, 1995 notarized by no less than Benedick's counsel, Atty. Amador Simando.

The Court is convinced that the compromise agreement was the handiwork of Atty. Simando, because it was he who notarized the SPA dated September 20, 1995 purportedly executed by the Dy Chiao brothers. He later became the counsel of Benedick against the Dy Chiao siblings in Civil Case No. RTC'96-3612. He signed the compromise agreement as Benedick's counsel, despite his incessant claim that the brothers were incompetent and needed a guardian ad litem. Barely 11 days after the execution of the compromise agreement, Atty. Simando filed a Petition for the Settlement of the Estate of Benito Dy Chiao, Sr., this time as counsel of Mary Jane. It bears stressing that Mary Jane was the defendant in Civil Case No. RTC'96-3612, and that as counsel of Benedick, the plaintiff in the said civil case, Atty. Simando had accused her of being a drug addict and a spendthrift. By then of course, his client (Benedick) had already received P6,000,000.00 from the estate of his alleged putative father.

Since the decision of the RTC is null and void, the writ of execution issued pursuant thereto and the subsequent sale at public auction of the properties belonging to the estate of Benito Dy Chiao, Sr. are null and void.

Considering our foregoing disquisitions, the Court no longer finds the need to still resolve the other issues that were raised.

IN LIGHT OF ALL THE FOREGOING, the petition is DENIED for lack of merit. Costs against the petitioners.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Tinga, and Chico-Nazario, JJ., concur.

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[*] Also spelled "Dychiao."

[1] Penned by Associate Justice Delilah Vidallon-Magtolis, with then Associate Justices Cancio C. Garcia (now Associate Justice of the Supreme Court) and Artemio G. Tuquero (retired), concurring.

[2] Records, pp. 1-4.

[3] Ibid.

[4] Records, p. 3.

[5] Records, pp. 11-15.

[6] Id. at 20-21.

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[7] Id. at 39-40.

[8] Records, p. 45.

[9] Rollo, pp. 46-48.

[10] Records, p. 49.

[11] Id. at 50.

[12] Id. at 52-54.

[13] Id. at 108-109.

[14] Rollo, pp. 184-200.

[15] Id. at 191.

[16] Records, pp. 110-115.

[17] Id. at 118.

[18] Id. at 119.

[19] Id. at 113-114.

[20] Id. at 102-105.

[21] Records, p. 104.

[22] Id. at 121-123.

[23] Id. at 133.

[24] Id. at 141-146.

[25] Records, pp. 147-150.

[26] Id. at 151-153.

[27] Id. at 157-158.

[28] Id. at 186-190.

[29] Id. at 187.

[30] Records, p. 234.

[31] Records, pp. 239-240.

[32] Id. at 263.

[33] Rollo, pp. 19-20.

[34] Cosmic Lumber Corporation v. Court of Appeals, G.R. No. 114311, 29 November 1996, 265 SCRA 168.

[35] Rollo, p. 138.

[36] In The Matter of the Guardianship of Richard Roe III, 421 N.E.2d 40 (1981).

[37] Fazio v. Fazio, 378 N.E. 2d. 951 (1974).

[38] Black v. Wiedeman, 254 S.W. 2d 344 (1953).

[39] Stewart v. Turner, 493 S.W. 2d. 252 (1997); Coleson v. Bethan. 931 SW 2d. 766.

[40] McBerry v. Ivie, 159 S.E. 2d. 108 (1967).

[41] In Re: In the Matter of the Adoption of a Child, 302 N.J. 533 (1997).

[42] People v. Court of Appeals, G.R. No. 144332, 10 June 2004, 431 SCRA 610.

[43] De Asis v. Court of Appeals, G.R. No. 127578, 15 February 1999, 303 SCRA 176; Arbolario v. Court of Appeals, G.R. No. 129163, 22 April 2003, 401 SCRA 360.

[44] ARTICLE 208, NEW CIVIL CODE.

[45] Chavez v. PCGG, G.R. No. 130716, 9 December 1998, 299 SCRA 744.

[46] Chavez v. PCGG, G.R. No. 130716, 19 May 1999, 307 SCRA 394.

[47] Cosmic Lumber Corporation v. Court of Appeals, supra.

[48] Anacleto v. Van Twest, G.R. No. 131411, 29 August 2000, 339 SCRA 211.

[49] Article 2036, New Civil Code.

[50] Records, p. 12.

[51] Id. at 43.

[52] Cenido v. Apacionado, G.R. No. 132474, 19 November 1999, 318 SCRA 688.

[53] Records, pp. 20-21.

[54] Records, p. 21.

[55] Id. at 25.

[56] Id. at 40.

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