

FILIPRO, INC., PETITIONER, VS. PERMANENT SAVINGS & LOAN BANK THRU ITS DULY APPOINTED RECEIVER/ LIQUIDATOR, MR. ARNULFO B. AURELLANO OF THE CENTRAL BANK OF THE PHILS., RESPONDENTS.

G.R. NO. 142236. September 27, 2006

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This petition for review assails the February 23, 2000 Decision[1] of the Court of Appeals in CA-G.R. SP No. 29566, which dismissed respondent Permanent Savings & Loan Bank's petition for certiorari and prohibition but at the same time ordered petitioner Filipro, Inc. to remit the sum of P547,000.00 to the duly appointed receiver of respondent's bank.

The antecedent facts are as follows:

On January 17, 1984, Filipro, Inc. filed a complaint[2] for damages with the Regional Trial Court of Makati against the Philippine Banking Corporation ("Philbank") for allegedly clearing a patently altered Philbank check[3] dated July 12, 1983 in the sum of P359,651.75. The check was issued by Mr. So Peng Tiam to the petitioner but was stolen by one of petitioner's employees, Jessie Fuentes who materially altered the check by crossing out the word "INC" in the name "FILIPRO, INC.," payee of the said check. The alteration was allegedly clearly visible to the naked eye, and is not authenticated by any signature or initial of the drawer. Fuentes purportedly deposited the check in an account he had opened under the name of FILIPRO with the Carriedo (Quiapo) branch of herein respondent, Permanent Savings and Loan Bank.

The respondent bank thereafter deposited the check with Allied Banking Corporation (Allied Bank) which in turn presented the check to Philbank for clearing. After the check was cleared, Fuentes withdrew the face value of the check from his deposit with the respondent bank and disposed of the same for his own personal benefit.[4]

On May 31, 1984, Philbank filed a third-party complaint against Allied Bank based on the latter's guarantee appearing at the dorsal side of the check, reading, "(All) prior endorsements and/or lack of endorsement guaranteed." In turn, Allied Bank filed a fourth-party complaint against the respondent bank for reimbursement in the event that it would be held liable under the third-party complaint.

On June 6, 1986, the trial court declared respondent bank as in default[5] for failure to appear during the pre-trial conference. Consequently, Allied Bank was allowed to present its evidence ex parte on its fourth party complaint.

Thereafter, on July 2, 1986, the trial court rendered a Partial Decision[6] holding respondent bank liable to Allied Bank on the latter's fourth party complaint. Respondent bank filed a motion[7] to set aside the order of default which was granted by the trial court[8] but only for the purpose of allowing petitioner to cross-examine the witnesses of Allied Bank.[9] On several scheduled dates for the cross examination of witnesses, the representatives of respondent bank failed to appear. Consequently, in an Order[10] dated September 5, 1988, the

trial court considered the respondent bank as having waived its right to examine the witnesses of Allied Bank and reiterated its order declaring the respondent bank in default.

On September 7, 1988, respondent bank filed a motion to dismiss^[11] Allied Bank's fourth party complaint on the ground that the Central Bank had placed it under receivership on December 17, 1984. The motion to dismiss was denied in the Order dated February 20, 1989 holding that:

The MOTION TO DISMISS filed by Fourth Party Defendant Permanent Savings and Loan Bank could no longer be acted upon by this Court considering that the Order of this Court of 5 September 1988 clearly states that the JUDGMENT by default rendered by this Court on 2 July 1986 was vacated only for purposes of allowing Fourth Party Defendant to cross-examine the witness of Fourth Party Plaintiff and in the hearing of 16 August 1988, the cross-examination of the witnesses of Fourth Party Plaintiff by movant Bank was considered as waived and on the findings of the COURT that the JUDGMENT of 2 July 1986 was considered as still valid as against Fourth Party Defendant after forfeiting the cross-examination, and the said ORDER of 2 July 1986 has already become final and executory, which in effect considers the DECISION of this Court of 2 July 1986 against Fourth Party Defendant Permanent Savings Bank as final and executory as no Motion for Reconsideration nor appeal was filed by said party on record. ^[12]

On October 16, 1989, Filipro, Philbank and Allied Bank entered into a compromise agreement hereby quoted in full:

COME NOW the Plaintiff, Defendant/Third-Party Plaintiff and Third-Party Defendant/Fourth Party Plaintiff, assisted by their respective counsel, and to this Honorable Court, respectfully submit the following Compromise Agreement to wit:

- That the Philippine Banking Corporation (Defendant/Third-Party Plaintiff, Philbank) admits its liability to Filipro, Inc. (Plaintiff, Filipro) for the sum of FIVE HUNDRED FORTY SEVEN THOUSAND (P547,000.00) PESOS inclusive of interest, attorney's fees and expenses of litigation which Filipro hereby accepts as the full amount of its claims against Philbank;
- That Allied Banking Corporation (Third-Party Defendant/ Fourth-Party Plaintiff, Allied Bank) admits liability to Philbank for the said sum of P547,000.00, inclusive of interest, plus attorney's fees and expenses of litigation in the amount of P10,000.00 only which Philbank accepts also as the full amount of its claims against Allied Bank;
- That in the Fourth Party Complaint this Honorable Court, on July 2, 1986, had issued a Partial Decision against Permanent Savings and Loan Bank (Fourth Party Defendant, Permanent) and in favor of Allied Bank which decision is already final and executory. The dispositive portion of the Partial Decision reads:

"WHEREFORE, finding Fourth Party Plaintiff Allied's claim against Fourth Party Defendant Permanent Savings to be substantiated, the Court hereby renders judgment by default, ordering said Fourth Party Defendant Permanent Savings and Loan Bank to reimburse Fourth Party Plaintiff Allied Banking Corporation for whatsoever amount it may be adjudged liable to pay Defendant and Third Party Plaintiff Philippine Banking Corporation, and further ordering said Fourth Party Defendant Permanent Savings to pay Fourth Party Plaintiff Allied P10,000.00 attorney's fees and costs of suit.

SO ORDERED.

- That upon the approval of this agreement by this Honorable Court, Allied Bank shall, pursuant to the aforescribed Partial Decision, directly remit to Filipro the said sum of FIVE HUNDRED FORTY SEVEN THOUSAND (P547,000.00) PESOS in full satisfaction of Filipro's claim against Philbank and the latter's claim against Allied Bank and directly remit to Philbank the amount of P10,000.00 representing Philbank's expenses of litigation and attorney's fees mentioned in paragraph 2 hereof, which amounts shall be taken from

the funds of Permanent presently deposited with and in the possession of Allied Bank pursuant to the order of this Honorable Court placing the said amount in custodia legis;

- That the parties hereto hereby waive their respective claims against each other;

- In the event that this Compromise Agreement is not approved by this Honorable Court, all the admissions and the other provisions herein, except that of the Partial Decision as mentioned in paragraph 3 hereof, shall be deemed abandoned and void and shall not bind the parties herein and shall have no probative or evidentiary value, and/or effects against the parties herein and the instant case shall be decided on the basis of the evidences presented and/or to be presented by the parties herein as if the said admissions and other provisions were never agreed upon[13]

The trial court approved the compromise agreement and rendered judgment thereon in its Order[14] dated November 7, 1989, thus:

WHEREFORE, finding the aforesated Compromise Agreement to be not contrary to law, morals, and public policy, the same is hereby APPROVED and judgment is rendered in accordance therewith. The parties are hereby enjoined to comply strictly with the terms and conditions embodied therein.

SO ORDERED.[15]

Respondent bank filed a petition for certiorari and prohibition[16] with the Court of Appeals on November 27, 1992, or more than three years after the trial court rendered judgment on the compromise agreement. The Court of Appeals dismissed the petition but ordered petitioner and Philbank to remit the respective sums of P547,000.00 and P10,000.00 to respondent bank's receiver, thus:

WHEREFORE, the instant petition is hereby DISMISSED but private respondents Filipro and Philbank are ordered to remit the respective sums of P547,000.00 and P10,000.00 to the duly appointed receiver of the petitioner in SP No. 85-3371, whereat both respondents may file their respective judgment claims.

SO ORDERED.[17]

The petitioner is now before us raising the sole issue of:

WHETHER THE COURT OF APPEALS ERRED IN ORDERING FILIPRO INC. AND PHILBANK TO REMIT THE RESPECTIVE SUMS OF P547,000.00 AND P10,000.00 TO THE RECEIVER OF PERMANENT SAVINGS AND LOAN IN SP. No. 85-3371.[18]

In ordering petitioner and Philbank to remit the aforementioned sums to the receiver of Permanent Savings and Loan Bank, the Court of Appeals held that:

But even as We find nothing to vitiate the respondent court's partial and subsequent decisions of July 2, 1986 and November 7, 1989, respectively, We feel, however, that the money deposited by petitioner (Permanent Savings and Loan Bank) with Allied is not beyond the reach of petitioner's receiver/liquidator. Although a judgment based on compromise is immediately executory, Allied cannot motu proprio appropriate petitioner's money. Section 29 of the Central Bank Act, before its amendment by Executive Order No. 289 (September, 1987), reads:

"Sec. 29. Proceedings upon insolvency. - Whenever, upon examination by the head of the appropriate supervising and examining department or his examiners or agents into the condition of any banking institution, it shall be disclosed that the condition of the same is one of insolvency, or that its continuance in business would involve probable loss to its depositors or creditors, it shall be the duty of the department head concerned forthwith, in writing, to inform the Monetary Board of the facts, and the Board, upon finding the statements of the department head to be true, shall forthwith forbid the institution to do business in the Philippines and shall

designate an official of the Central Bank, or a person of recognized competence in banking, as receiver to immediately take charge of its assets and liabilities as expeditiously as possible collect and gather all the assets and administer the same for the benefit of its creditors, exercising all the powers necessary for these purposes including, but not limited to, bringing suits and foreclosing mortgages in the name of the banking institution."

It is not disputed that petitioner was placed under receivership by the Monetary Board of the Central Bank on December 14, 1984. For sure, there now pends in Branch IV of the Regional Trial Court of Manila SP NO. 85-3371, an insolvency proceeding thereat instituted by the Central Bank against the herein petitioner, about which a receiver for the petitioner had been duly appointed by the same court.

Once the Monetary Board declares a bank as insolvent and orders it to cease operations, the Board becomes the trustee of the bank's assets for the equal benefit of all the creditors, including depositors. (*Lipana vs. Development Bank of Rizal*, 154 SCRA 257, 261). And when a receiver is appointed for an insolvent bank, the bank's assets pass into the possession and control of the receiver whose duty is to administer the same for the benefit of the bank's creditors. (*Villanueva vs. Court of Appeals*, 244 SCRA 395, 404) Here, albeit private respondents were aware that petitioner was placed under receivership, they nevertheless proceeded to appropriate petitioner's money in satisfying their obligations among themselves. Clearly, Allied had committed a mistake in giving Filipro and Philbank the sums of P547,000.00 and P10,000.00, respectively. Under Article 1456 of the Civil Code, Filipro and Philbank shall be considered as trustees of an implied trust for the benefit of the receiver/liquidator of the petitioner.[19]

Petitioner anchors its challenge to the foregoing ruling of the Court of Appeals on the "well settled doctrine on the inviolability and unalterability of final and unappealable judgments." [20] Petitioner posits that since the Court of Appeals have ruled that the petition of herein respondent bank was filed late, the Court of Appeals could no longer alter or modify the final and executory ruling of the trial court thus, it erred in ordering petitioner and Philbank to remit the subject amounts to the receiver of respondent bank.

The petition is meritorious.

Nothing is more settled in law than that once a judgment attains finality it thereby becomes immutable and unalterable. It may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land. Just as the losing party has the right to file an appeal within the prescribed period, the winning party also has the correlative right to enjoy the finality of the resolution of his case.[21]

Litigation must end and terminate sometime and somewhere, and it is essential to an effective administration of justice that once a judgment has become final, the issue or cause involved therein should be laid to rest. The basic rule of finality of judgment is grounded on the fundamental principle of public policy and sound practice that at the risk of occasional error, the judgment of courts and the award of quasi-judicial agencies must become final at some definite date fixed by law.[22]

Applying the foregoing pronouncements to the instant petition, we find that the Court of Appeals committed reversible error when it rendered the assailed promulgations. As discussed by the Court of Appeals itself:

On November 27, 1992, or after the lapse of more than three (3) years from the promulgation of the challenged decisions, petitioner came to this Court via the instant recourse, insisting that the respondent court had lost jurisdiction to take further cognizance of Allied's fourth-party complaint against it after the Central Bank had placed it under receivership on December 14, 1984.

We are not inclined to disturb the assailed decisions of the respondent court.

For one, be it under Rule 65 of the old Rules of Court which, by case law, had been construed to mean that a petition for certiorari must be filed "within a reasonable time" from notice of the judgment, order or resolution sought to be assailed (*Great Pacific Life Insurance Corp. vs. NLRC*, 188 SCRA 139; *Ismael, Jr. & Co., Inc. vs. Executive Secretary*, 190 SCRA 673), or under the present Rules which require the filing of such a petition "within sixty (60) days from notice" (Sec. 4, Rule 65), it cannot be denied that the present petition was filed very much late.

Explaining the unreasonable delay, petitioner would excuse itself by saying that it has no reason to contest the respondent court's reinstatement of the partial decision thru its order of September 5, 1988 because the same court has yet to resolve its motion for reconsideration of said partial decision.

The casualness with which petitioner bandies its excuse only serves to dismay Us. The elapsed time emphasizes the burden of the petitioner to give Us a compelling reason on why We should ignore its tardiness in the filing of this petition. Sadly, petitioner did not even offer any explanation on its failure to appeal the respondent court's compromise judgment and simply contented itself with the canard that it is still waiting for the resolution of its motion for reconsideration of the respondent court's reinstatement of the partial decision. Significantly, however, petitioner did not even bother to dispute Philbank's claim in its Comment that the same court had indeed denied petitioner's motion for reconsideration in its order of February 20, 1989, quoted earlier herein. In sum, the delay poses an insurmountable obstacle to Our review of the lower court's alleged grave abuse of discretion in coming out with the decisions in question.[23]

By ruling as it did, the Court of Appeals has effectively held that the trial court's decision based on the compromise agreement has already attained finality and that it cannot anymore be the subject of any modification. The Court of Appeals even declared that respondent bank's belated attempt to the trial court's decision is an "insurmountable obstacle" to its review. Yet, in the dispositive portion of its assailed decision, the Court of Appeals, while dismissing the petition of respondent bank, modified the lower court's judgment by ordering petitioner and Philbank to remit the sums of P547,000.00 and P10,000.00 to respondent bank's duly appointed receiver. The said disposition runs contrary to the aforequoted pronouncements of the Court of Appeals and as such, it cannot be countenanced.

The orderly administration of justice requires that the judgments/resolutions of a court or quasi-judicial body must reach a point of finality set by the law, rules and regulations. The noble purpose is to write finis to disputes once and for all. This is a fundamental principle in our justice system, without which there could be no end to litigations. Utmost respect and adherence to this principle must always be maintained by those who wield the power of adjudication. Any act which violates such principle must be struck down.[24]

In addition, the basis of the trial court's November 7, 1989 Order was the compromise agreement entered into among the petitioner, Allied Bank and Philbank. Once stamped with judicial imprimatur, a 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.[25] Since a judgment based on a compromise agreement is no different from any other judgment, once it attains finality, it can no longer be subject to any alteration, modification or review.

While it is true that respondent bank was not a party to the compromise agreement, it is likewise undeniable that, by its own inaction, the respondent bank has taken itself out of the equation as far as its personality before the trial court is concerned after it was declared in default on account of its failure to appear during the pre-trial conference. When the trial court rendered its November 7, 1989 order approving the compromise agreement, the respondent bank was already in default having been declared as such by the lower court on June 6, 1986. A party declared in default loses his standing in court, as such, he cannot appear in court, adduce evidence, be heard or be entitled to notice.[26]

WHEREFORE, the petition is GRANTED. The dispositive portion of the Decision of the Court of Appeals in CA-G.R. SP No. 29566 dated February 23, 2000 is MODIFIED. The portion ordering petitioner Filipro, Inc. and Philippine Banking Corporation to remit the sums of P547,000.00 and P10,000.00 to the duly appointed receiver of Permanent Savings and Loan Bank in SP-No. 85-3371 is DELETED.

No costs.

SO ORDERED.

Panganiban, C. J. (Chairperson), Austria-Martinez, Callejo, Sr., and Chico-Nazario concur.

[1] Rollo, pp. 9-21. Penned by Associate Justice (now Supreme Court Associate Justice) Cancio C. Garcia and concurred in by Associate Justices (now Supreme Court Associate Justice) Romeo S. Callejo, Sr. and Martin S. Villarama, Jr.

[2] Records, Volume 1, pp. 1-2.

[3] Id. at 3.

[4] Id. at 2.

[5] Id. at 417

[6] Id. at 444-447.

[7] Id. at 456-462.

[8] Records, Volume 2, pp. 505-506.

[9] Rollo, p. 13.

[10] Records, Volume 2, p. 591.

[11] Id. at 595-600.

[12] Id. at 645.

[13] Id. at 675-677.

[14] Rollo, pp. 66-67.

[15] Id. at 67.

[16] CA rollo, pp. 2-35.

[17] Rollo, p. 20.

[18] Id. at 27.

[19] Id. at 19-20.

[20] Id. at 32.

[21] *Dapar v. Biascan*, G.R. No. 141880, September 27, 2004, 439 SCRA 179, 199.

[22] *Ramos v. Combong, Jr.*, G.R. No. 144273, October 20, 2005, 473 SCRA 499, 504.

[23] Rollo, pp. 17-18.

[24] Sumalo Homeowners Association of Hermosa, Bataan v. Litton, G.R. No. 146061, August 31, 2006.

[25] Ayala Land, Inc. v. Navarro, Sr., G.R. No. 127079, May 2, 2004, 428 SCRA 361, 367.

[26] Heirs of Eugenio Lopez, Sr. v. Enriquez, G.R. No. 146262, January 21, 2005, 449 SCRA 173, 194.

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