

MARIA REMEDIOS ARGANA, DONATA ALMENDRALA VDA. DE ARGANA, LUIS ARGANA, JR., PEREGRINO ARGANA, ESTATE OF GELACIO ARGANA, EUFROCINIO NOFUENTE, AMPARO ARGANA NOFUENTE, JUANITO ROGEL...

G.R. No. 147227. November 19, 2004

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TINGA, J.:

Before the Court is a Petition for Certiorari assailing the Resolution dated April 11, 2000 and the Order dated February 22, 2001 of the Sandiganbayan, Third Division, in Civil Case No. 0026.[1]

On July 29, 1987, respondent Republic of the Philippines filed with the Sandiganbayan a Petition for Forfeiture of alleged ill-gotten assets and properties of the late Maximino A. Argana, who served as Mayor of the Municipality of Muntinlupa[2] from 1964 to 1967 and from 1972 until his death in 1985.

On October 28, 1998, the Sandiganbayan remanded the case to the Presidential Commission on Good Government (PCGG) for the conduct of an inquiry. In 1990, the case was reactivated in the Sandiganbayan. Petitioners Maria Remedios Argana, Donata Almendrala Vda. De Argana, Luis Argana, Jr., Peregrino Argana, Estate of Gelacio Argana, Eufrocinio Nofuente, Amparo Argana Nofuente, Juanito Rogelio, Milagros Argana Rogelio, Maria Felicidad Argana, Maria Dorotea Argana, and Refedor South Gold Property Management & Development Corporation filed a series of motions, including a Motion to Dismiss on the ground of the lack of authority of the PCGG to institute the case on behalf of respondent. This issue eventually reached this Court and was decided in favor of respondent on September 29, 1994.[3]

Petitioners, in their Answer, denied that the properties sought to be forfeited by respondent were unlawfully acquired by the deceased Mayor and/or by petitioners. Still, to avoid a protracted litigation, petitioners exerted efforts to settle the case amicably with respondent through the PCGG.

After a series of motions were again filed by petitioners, the Sandiganbayan finally set the case for pre-trial on November 26, 1997, but the pre-trial was reset several times in view of the manifestation of the parties that they were in the process of negotiating a compromise.

On August 7, 1997, petitioners' offer of compromise was accepted by the PCGG in its Resolution No. 97-180-A.[4]

Thereafter, the PCGG conducted an evaluation of the properties offered for settlement by petitioners. In a Memorandum dated August 18, 1997, Mauro J. Estrada, Director of the PCGG Research and Development Program, recommended the inclusion of another tract of land[5] belonging to petitioners among the properties which would be subject of the compromise.

On September 18, 1997, respondent, represented by PCGG Commissioners Reynaldo S. Guiao and Herminio A. Mendoza entered into a Compromise Agreement with petitioners, represented by petitioner Maria Felicidad Argana. Petitioners conveyed, ceded and released in favor of respondent a total of 361.9203 hectares of

agricultural land in Pangil and Famy, Laguna, or 75.12% of the properties subject of litigation, in consideration of the dismissal or withdrawal of all pending civil, criminal and administrative cases filed, litigated or investigated by respondent against them. The remainder was distributed as follows:

To be retained by the late

Mayor Argana's heirs 9.88% 47.78787 hectares

Owned by the Mayor's

Brothers and Sisters 5.53% 26.6318 hectares

Foreclosed by Los Baños

Rural Bank 1.24% 5.9856 hectares

Owned by Other Persons 8.23% 39.64865 hectares

_____ 24.88% 120.05392 hectares[6]

In a letter dated October 7, 1997,[7] the PCGG informed the Office of the Solicitor General (OSG) of the signing of the Compromise Agreement and requested the OSG to file the appropriate motion for approval thereof with the Sandiganbayan.

Subsequently, the OSG requested for clarification from the PCGG if the compromise agreement included all the sequestered assets of petitioners subject of litigation. In response to the request, PCGG informed the OSG in a letter dated February 4, 1998[8] that the properties mentioned in the Compromise Agreement comprise all the sequestered assets subject of litigation, and reiterated that it entered into a compromise agreement with petitioners because it believed that the evidence might not be sufficient to warrant continuing the prosecution of Civil Case No. 0026 and that it is to the best interest of the government to accept the offer of petitioners.[9]

On May 27, 1998, then President of the Republic of the Philippines Fidel V. Ramos approved the Compromise Agreement between petitioners and respondent.[10]

On June 4, 1998,[11] the OSG filed with the Sandiganbayan a Motion to Approve Compromise Agreement. Petitioners expressed their conformity to the motion on June 15, 1998.

After conducting hearings on the motion, the Sandiganbayan promulgated its Decision on July 31, 1998 approving the Compromise Agreement and rendering judgment in accordance with the terms thereof.[12]

However, on October 5, 1998, respondent, through the OSG and the PCGG, filed with the Sandiganbayan a Motion to Rescind Compromise Agreement and to Set Aside Judgment by Compromise (Motion to Rescind). Respondent prayed for the rescission of the Compromise Agreement or reformation thereof after a renegotiation with petitioners. Respondent contended that the partition of the properties in the Compromise Agreement was grossly disadvantageous to the government and that there was fraud and insidious misrepresentation by petitioners in the distribution and partition of properties, to the damage and prejudice of the government. According to respondent, there was fraud and insidious misrepresentation because petitioners proposed to divide the properties—with 75% accruing to the government and the remaining 25% going to petitioners and their other

creditors—based on the total land area of the properties instead of on their value. As a result, the government obtained only Three Million Six Hundred Twenty Thousand Pesos (P3,620,000.00) worth of land, while petitioners received almost Four Billion Pesos (P4,000,000,000.00) worth.

Petitioners filed an Answer to the Motion to Rescind and contended that the July 31, 1998 Decision of the Sandiganbayan could no longer be annulled because it had already become final and executory; that respondent's counsel had no authority to file the motion; and that the motion was defective because it did not include a Certification against Forum-Shopping. They also argued that there was no agreement to divide the properties by a 75% to 25% ratio in favor of the government. What they proposed to cede to the government by way of compromise were their properties in Pangil covered by Transfer Certificate of Title (TCT) Nos. T-4044 and T-4009 and those in Famy, Laguna covered by TCT Nos. T-3813 to T-3817 and T-4104, 4106 and 4108, not a specific percentage of the properties subject of litigation.[13]

In its Resolution dated September 22, 1999, the Sandiganbayan treated the Motion to Rescind as a petition for relief from judgment under Rule 38 of the 1997 Rules on Civil Procedure and set the motion for hearing.

On April 11, 2000, the Sandiganbayan issued a Resolution granting respondent's motion to rescind and setting aside the Decision dated July 31, 1998. The Sandiganbayan held that the Motion to Rescind was filed on time on October 5, 1998, the working day immediately following October 4, 1998, which was a Sunday and the 60th day after respondent received the July 31, 1998 Decision on August 5, 1998. It also ruled that the presumption that the OSG had authority to file the Motion to Rescind was not overcome by petitioners. Under Republic Act No. 1379,[14] the filing and prosecution of cases for forfeiture of unlawfully acquired property is a function of the OSG. Petitioners failed to show proof that pleadings or motions filed by lawyers of the government or the PCGG must first be approved by the PCGG En Banc and by the President of the Republic. The Sandiganbayan likewise held that respondent was not required to file a certification against forum-shopping because the motion to rescind was not an initiatory pleading.[15]

With respect to the issue of fraud, it held that there was extrinsic fraud in the execution of the Compromise Agreement. The Sandiganbayan stated:

...The values were deliberately omitted to make it appear that the Compromise Agreement adheres to the 75%-25% ratio broadly adopted by the PCGG in compromising cases of ill-gotten wealth. It was this 75%-25% mode of compromise, with the greater share of 75% going to the government that misled the Court to believe, as We did believe, that the Compromise Agreement was fair, reasonable and advantageous to the Government....

...What was projected to be a 75%-25% ratio was in reality a 00.15%-99.85% ratio, with 99.85% going to the Arganas. This is unconscionable and immoral. And since it results in a transaction grossly disadvantageous and immoral to the government, it is against the law as being violative of Section 3(g) of Republic Act 3019.

...

In the instant case, fraud of an extrinsic character exists because the representatives of plaintiff Republic in the PCGG connived with defendants in hiding the assessed or market values of the properties involved, so as to make it appear that the Compromise Agreement adhered to the 75%-25% ratio adopted by the PCGG in entering into compromise of cases involving the recovery of ill-gotten wealth. Through their infidelity, those in the PCGG who handled or were closely involved with the case during the last days of the previous administration fraudulently gave the Compromise Agreement a semblance of fairness and official acceptability. They sold plaintiff Republic down the river by entering into an agreement grossly disadvantageous to the government. For while plaintiff Republic got 00.15% (00.15074) of the estimated value of all the properties involved in this case, defendants almost ran away with 99.85% (99.84526) of their value.

This is patently unfair. It is no compromise but a virtual sell-out. It could not have been pulled off without the connivance or collusion of those responsible for the case in the PCGG. Instead of protecting the interest of the government, they connived at its defeat...almost.[16]

Petitioners filed a Motion for Reconsideration dated May 9, 2000 and a Supplement to said motion dated May 30, 2000. Petitioners also filed an Urgent Motion for Voluntary Inhibition dated May 18, 2000 praying that the members of the Third Division of the Sandiganbayan voluntarily inhibit themselves from hearing and resolving the petitioners' pending motions.

On February 22, 2001, the Sandiganbayan issued two Orders, one denying petitioners' motion for reconsideration,[17] and the other, denying the motion for voluntary inhibition.[18]

Hence, petitioners filed the present petition on April 27, 2001.

Respondent filed its Comment on October 22, 2001.

On November 12, 2001, the Court issued a Resolution giving due course to the petition and requiring the parties to submit their respective memoranda.[19]

Respondent filed its Memorandum on January 29, 2002. Petitioners filed theirs on February 26, 2002. In their respective memoranda, the parties reiterated the arguments in their earlier pleadings.

Specifically, petitioners raise the following arguments:

(A)

The Sandiganbayan (Third Division) denied Petitioners their right to substantive and procedural due process when it refused to voluntarily inhibit itself from further hearing the instant case.

(B)

The PCGG lawyers had no authority to ask for the rescission of the subject Compromise Agreement without the consent of the PCGG En Banc and the President of the Republic of the Philippines.

(C)

The Motion to Rescind, which was treated by the Sandiganbayan (Third Division) as a Petition for Relief under Rule 38 of the Rules of Court, is fatally defective because—

1.

It was not filed by a party to the case, i.e., it was filed by counsel without the client's authority.

2.

It was filed out of time.

3.

It was filed sans any supporting Affidavit of Merit.

4.

It lacked the required Certification on Non-Forum Shopping.

(D)

There is no factual or legal basis for the finding of fraud by the Sandiganbayan (Third Division).

(E)

Upon approval of the Compromise Agreement, the Sandiganbayan (Third Division) lost jurisdiction over the case, including the authority to rescind said Compromise Agreement and to set aside the judgment based thereon.

(F)

The Sandiganbayan (Third Division) lacked authority to alter a contract by construction or to make a new contract for the parties.

(G)

Since the Compromise Agreement had already been implemented, rescission cannot be availed of.[20]

Petitioners contend that the members of the Third Division of the Sandiganbayan should have inhibited themselves from resolving petitioners' motion for reconsideration because from the tenor of the April 11, 2000 Order of the court granting respondent's motion to rescind, it was evident that the Sandiganbayan had already prejudged the properties subject of litigation as having been unlawfully acquired.[21]

Petitioners likewise assert that the property value of a property offered for the amicable settlement of a case is not always material in determining the validity of a compromise agreement. They point out that what impelled the PCGG to enter into a compromise agreement with them was PCGG's perception that its evidence against petitioners was weak and might not be sufficient to justify maintaining the case against them.[22]

In addition, petitioners insist that the Motion to Rescind which was treated by the Sandiganbayan as a petition for relief from judgment under Rule 38 is fatally defective for (i) lack of authority of respondent's lawyers to file the same; (ii) having been filed out of time; (iii) non-submission of an Affidavit of Merit; and (iv) non-submission of a Certification against Forum-Shopping.[23]

It is argued by petitioners that the Sandiganbayan should have denied respondent's Motion to Rescind outright for having been filed without authority from the PCGG En Banc and the President of the Republic, both of whom earlier approved and authorized the execution of the Compromise Agreement. According to petitioners, after final judgment has been rendered in a case, an attorney has no implied authority from his client to seek material or substantial alterations or modifications in such judgment.[24]

Petitioners claim that the Motion to Rescind was filed only on October 5, 1998, or beyond sixty (60) days from the time the Sandiganbayan promulgated its July 31, 1998 Decision approving the Compromise Agreement.[25]

In support of their petition, petitioners cite Section 3 of Rule 38 which requires that the petition for relief be filed within sixty (60) days after the party seeking the relief learns of the judgment or final order to be set aside, and not more than six (6) months after such judgment or final order was entered. They also invoke the case of *Samonte v. Samonte*[26] where the Court held that a judgment upon compromise is deemed to have come to the knowledge of the parties on the very day it is entered.[27]

It is further argued by petitioners that the Sandiganbayan's finding that the settlement between petitioners and respondent was attended by fraud has no factual or legal basis. Petitioners point out that the property values cited by respondent in its Motion to Rescind were based solely on the estimates of the PCGG lawyers and no evidence of the valuation of the properties were presented before the Sandiganbayan to establish fraud. They also contend that the Sandiganbayan had no legal basis for taking judicial notice of the fact that agricultural land in rural areas such as Famy and Pangil, Laguna is much cheaper and is usually sold by the hectare, while land in Metro Manila and in nearby municipalities such as Muntinlupa is more valuable and sold per square meter. Petitioners insist that knowledge of the valuation of property is not a condition sine qua non for the validity of a compromise agreement.[28]

Petitioners also assert that the Sandiganbayan did not have jurisdiction to annul the Compromise Agreement because its July 31, 1998 Decision had already become final and executory. Moreover, as a contract validly entered into by the parties, the Compromise Agreement had binding effect and authority on the parties thereto even if it were not judicially approved.[29]

Petitioners likewise contend that the Sandiganbayan cannot alter the Compromise Agreement which is a valid and binding contract between themselves and respondent and impose the additional requirement that "the moneys, properties or assets involved in the compromise must be fully disclosed and described not only as to the number or area (in case of real properties) but also as to their exact location, classification, appraised and fair market value, liens and encumbrances, whether titled or not, etc., so as to leave no room for doubt that all the parties, the Court and the public know exactly what each party is giving or taking away, and under what specific terms and conditions." [30] According to them, the imposition of this requirement would be beyond the scope of the Sandiganbayan's authority.[31]

Lastly, petitioners argue that the Compromise Agreement can no longer be rescinded because it had already been implemented. In support of this argument, petitioners claim that on September 22, 1997, or four days after the signing of the agreement, they delivered to the PCGG the original TCTs of the properties ceded to respondent under the agreement.[32]

Respondent, through the OSG, contends that the Sandiganbayan's April 11, 2000 Resolution which granted the motion to rescind the Compromise Agreement and set aside its July 31, 1998 Decision cannot be the proper subject of a Petition for Certiorari. According to respondent, petitioners were not without any other remedy from the adverse ruling of the Sandiganbayan, and they should have gone to trial and reiterated their special defenses.[33]

Respondent also maintains that the Sandiganbayan did not err in denying petitioners' motion for voluntary inhibition of its members because petitioners' allegations of partiality and bias were not supported by clear and convincing evidence.[34]

It is also argued by respondent that there is no rule or law requiring that pleadings or motions filed by lawyers of the government or the PCGG must first be approved by the PCGG En Banc and by the President of the Republic.[35]

Anent the alleged procedural infirmities in the filing of the Motion to Rescind, respondent asserts that it complied with the reglementary period for the filing of a petition for relief from judgment under Rule 38 and that it is not an initiatory pleading which is required to be accompanied by a Certification against Forum-Shopping.[36]

Respondent disagrees with the contention of petitioners that the Sandiganbayan already lost jurisdiction over the case when it rendered its Decision on the Compromise Agreement on July 31, 1998 considering that the decision is immediately executory since there is no appeal from such judgment. According to respondent, the Rules of Court does recognize the jurisdiction of the court which rendered a decision over a petition for relief from the same decision, and does not distinguish whether the judgment is based on the evidence presented or on a compromise agreement. Moreover, as an exception to the general rule that the court which rendered judgment on the compromise cannot modify such compromise, the court may order modifications thereon when the parties consent to such modification or when there is a hearing to determine the presence or absence of vitiated consent.[37]

Respondent adds that the Sandiganbayan did not make a new contract for the parties but simply declared their Compromise Agreement null and void with the net effect of continuing the case from where it left off.[38]

Respondent insists that a compromise agreement which is unconscionable, shocking to the mind and contrary to law and public policy, such as that entered into by it with petitioners, is null and void. A void compromise agreement vests no rights and creates no obligations. Considering that the compromise agreement sought to be declared void in this case is one which is prejudicial to the government, it is the Court's duty to strike it down as null and void.[39]

It is argued by respondent that while it did not present additional evidence after it filed the Motion to Rescind, it submitted the motion on the basis of all the verified pleadings and papers on record. Respondent likewise claims that the Sandiganbayan did not err in taking judicial notice of the fact that agricultural lands in the provinces, such as the lands titled in petitioners' names in Famy and Pangil, Laguna, are much cheaper than lands in urban areas such as those in Muntinlupa City. Respondent insists that such fact is a matter of public knowledge and may be taken judicial notice of under Section 1, Rule 129 of the Revised Rules of Court.[40]

Respondent also points out that petitioners expressly admitted in their Answer to the Motion to Rescind that the value of the properties which they ceded to respondent under the Compromise Agreement is less than the value of the properties retained by them.[41]

Respondent claims that there was fraud of an extrinsic character because its representatives in the PCGG connived with petitioners in concealing the assessed or market values of the properties subject of the Compromise Agreement to make it appear that the latter adhered to the 75%-25% ratio adopted by the PCGG in entering into compromise of cases involving the recovery of ill-gotten wealth. It is pointed out by respondent that the OSG was in fact initially reluctant to file the motion for approval of the compromise agreement with the Sandiganbayan because the Compromise Agreement only mentioned the areas of the properties but conspicuously failed to mention the property values thereof. Respondent explained:

On October 7, 1997, the PCGG forwarded to the OSG a copy of the Compromise Agreement between the Republic and the Arganas in SB Civil Case No. 0026, with a request that the OSG file a motion with the Sandiganbayan for the approval of the said Compromise Agreement. On November 7, 1997, in reply to the letter of PCGG, the OSG with then Solicitor General Silvestre H. Bello III as signatory, wrote the PCGG requesting it to submit to the OSG clarification on the provision in the compromise agreement that the properties mentioned therein comprise all the sequestered assets subject of the litigation considering that in the petition filed by the Republic, it is alleged that the late mayor Argana acquired no less than 251 OCTs/TCTs in Muntinlupa and the neighboring towns plus some other ill-gotten properties. The OSG likewise opined that the

Compromise Agreement must first be submitted to the President for his approval before submitting it to the Sandiganbayan.

On February 10, 1998, the OSG received a reply from the PCGG, through Commissioner Herminio Mendoza, reiterating that the PCGG has decided to enter into the compromise agreement because it believes that the evidence may not be sufficient to warrant continuing prosecution of Civil Case No. 0026 against the Arganas.

With respect to OSG's request for clarification, the PCGG furnished the OSG a copy of the report conducted by the PCGG Research and Development Department whereby it is stated that there are 324 OCTs/TCTs evaluated representing real properties of the late Mayor Argana with a total land area of 481.77422 hectares out of which the Republic will get 361.9203 hectares or 75.12% of the total land area under the Compromise Agreement. No mention, however, was made as to the value of the properties to be ceded to the Republic and the properties to be retained by the Arganas.

On March 2, 1998, the OSG, through then Solicitor General Romeo C. dela Cruz, again wrote the PCGG reiterating its previous position that before submitting the compromise agreement to the Sandiganbayan for approval, it must first be submitted to the President of the Philippines for his approval as required in par. 6 of the Compromise Agreement. The OSG also reiterated its request for clarification regarding the properties covered by the compromise agreement as the Report submitted to it made mention of 361.9203 hectares or 75.12% out of the total land area of 481.71422 hectares to be ceded to the Republic, and 24.88% to be retained by the Arganas, no mention whatsoever was made of the kind of land, location and value of the respective areas.

On June 2, 1998, the OSG received a letter dated May 29, 1998 from then Commissioner Herminio A. Mendoza forwarding it copy of the approval by then President Fidel Ramos of the Compromise Agreement. With respect to its query, it was stated therein that the PCGG is unable to determine the value of the land to be ceded to the Republic and those to be retained by the Arganas because of the big number of the parcels of the land located mainly in Muntinlupa, Metro Manila and Laguna and/or the lack of available records showing their respective values for tax purposes. The PCGG reiterated their request that the OSG file with the Sandiganbayan in SB Civil Case No. 0026 a motion for the approval of the compromise agreement.

Obviously, through such a scheme, those in the PCGG then who handled or were involved with the case fraudulently gave the Compromise Agreement a semblance of fairness and official acceptability, but in truth, it was grossly disadvantageous to the government. The motion to approve compromise agreement was filed by the OSG out of courtesy as the PCGG was able to get the approval of then Pres. Fidel V. Ramos but not because it (OSG) totally approved the same after an independent evaluation of the report. [42] (Emphasis in the original.)

Finally, respondent argues that the Compromise Agreement had not yet been implemented. Although petitioners delivered the TCTs covering the lots ceded to respondent under the terms of the compromise on September 22, 1997, such delivery could not have the effect of implementation of the Compromise Agreement because the contract was submitted to the Sandiganbayan for approval only on June 15, 1998. The Compromise Agreement expressly required that in order for it to be effective, it must be approved by the President of the Republic and of the Sandiganbayan.[43]

The issues for the Court's resolution are as follows:

- 1) Whether a petition for certiorari is the proper remedy;
- 2) Whether the OSG and the PCGG lawyers have authority to file the Motion to Rescind on behalf of respondent;
- 3) Whether the Motion to Rescind, which was treated by the Sandiganbayan as a petition for relief, complied with the requirements of Rule 38 of the 1997 Rules of Civil Procedure;

4) Whether the Sandiganbayan acted with grave abuse of discretion in granting the Motion to Rescind and in setting aside its Decision dated July 31, 1998; and

5) Whether the members of the Sandiganbayan's Third Division should have inhibited themselves from resolving petitioners' Motion for Reconsideration.

The Court shall first tackle the first, second, third and fifth issues since these involve procedural matters.

The Court does not agree with respondent's contention that a petition for certiorari is not the proper remedy to assail the February 22, 2001 Order of the Sandiganbayan which affirmed its earlier directive to set the case against petitioners for pre-trial following the annulment of its judgment by compromise agreement. A special civil action for certiorari may be instituted when any tribunal, board or officer exercising judicial or quasi-judicial functions has acted without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, and there is no appeal, nor any plain, speedy and adequate remedy in the ordinary course of law.[44] The Court has previously held that an order setting the case for further proceedings, issued after the original judgment rendered pursuant to a compromise agreement is set aside, is an interlocutory order and is therefore not appealable.[45] Since no appeal is available against such an order, the proper remedy to assail it is a special civil action for certiorari. The remedy taken by petitioners is therefore proper.

Petitioners' contention that the Motion to Rescind filed by the lawyers of the PCGG and of the OSG should have been treated by the Sandiganbayan as a mere scrap of paper because the motion was filed without the authority of the PCGG En Banc and of the President of the Republic has no legal basis. There is no requirement under the law that pleadings and motions filed by lawyers of the government or the PCGG must first be approved by the PCGG En Banc and by the President of the Philippines. More importantly, R.A. No. 1379 expressly authorizes the OSG to prosecute cases of forfeiture of property unlawfully acquired by any public officer or employee.[46] It must be remembered that it was the OSG which filed Civil Case No. 0026 for the forfeiture of petitioners' allegedly ill-gotten wealth, and that the Compromise Agreement between petitioners and respondent was an amicable settlement of that case. By filing an action for rescission of the Compromise Agreement based on extrinsic fraud, the OSG was merely performing its legal duty to recover the wealth purportedly amassed unlawfully by the late Mayor Argana during his terms as Mayor of Muntinlupa. The Motion to Rescind was filed precisely because the PCGG, as respondent's authorized representative in the compromise, discovered that the execution of the Compromise Agreement was attended by fraud and sought the help of the OSG which in turn is the duly authorized government agency to represent respondent in forfeiture cases under R.A. No. 1379. Hence, the Sandiganbayan correctly upheld the authority of the OSG, assisted by the PCGG, in filing the Motion to Rescind.

The Court also finds that there was no grave abuse of discretion on the part of the Sandiganbayan in granting the Motion to Rescind, which it treated as a petition for relief from judgment under Rule 38 of the 1997 Rules on Civil Procedure. Section 3 thereof prescribes the periods within which the petition for relief must be filed:

Time for filing petition; contents and verification.— A petition provided for in either of the preceding sections of this Rule must be verified, filed within sixty (60) days after the petitioner learns of the judgment, final order or other proceeding to be set aside, and not more than six (6) months after such judgment or final order was entered, or such proceeding was taken, and must be accompanied with affidavits showing the fraud, accident, mistake or excusable negligence relied upon, and the facts constituting the petitioner's good and substantial cause of action or defense, as the case may be.

The Court has previously held that as applied to a judgment based on compromise, both the sixty (60)-day and six (6)-month reglementary periods within which to file a petition for relief should be reckoned from the date when the decision approving the compromise agreement was rendered because such judgment is considered

immediately executory and entered on the date that it was approved by the court.[47]

Applying the foregoing rule to the present case, the sixty (60)-day period should be counted from July 31, 1998, the date of the Sandiganbayan Decision granting the Motion to Approve Compromise Agreement. The sixtieth day from July 31, 1998 is September 29, 1998. The Motion to Rescind was filed by the OSG only on October 5, 1998, clearly several days after the sixtieth day from the rendition of the July 31, 1998 Decision.

This notwithstanding, the Court finds that no grave abuse can be ascribed to the Sandiganbayan in admitting the Motion to Rescind as a petition for relief was timely filed.

Although as a general rule, the party filing a petition for relief must strictly comply with the sixty (60)-day and six (6)-month reglementary periods under Section 3, Rule 38,[48] it is not without exceptions. The Court relaxed the rule in several cases[49] and held that the filing of a petition for relief beyond the sixty 60-day period is not fatal so long as it is filed within the six (6)-month period from entry of judgment.[50]

The Court notes that the filing of the Motion to Rescind on October 5, 1998 was indeed seven days beyond the sixty 60-day period but still well within the six (6)-month period from entry of judgment. Moreover, the case involves an alleged fraud committed against the Republic, and thus justifies the liberal interpretation of procedural laws by the Sandiganbayan.

Petitioners' claim that respondent failed to attach an affidavit of merit to its Motion to Rescind is belied by the record of the case. Petitioners in fact attached, as Annex "N" of their Petition for Certiorari, a copy of the respondent's Motion to Rescind. The Affidavit of Merit signed by Dennis M. Taningco, the counsel of the PCGG in Civil Case No. 0026, was attached to the Motion to Rescind. In any case, the Court in *Mago v. Court of Appeals*[51] held that the absence of an affidavit of merit does not always result in the denial of the petition for relief, so long as the facts required to be set out in the affidavit appear in the verified petition. The oath which forms part of the petition elevates it to the same category as an affidavit.[52]

Neither was it necessary for respondent to attach a Certification against Forum-Shopping to the Motion to Rescind. As correctly held by the Sandiganbayan, the Motion to Rescind, which in effect was a petition for relief, is not an initiatory pleading which requires the inclusion of a Certification against Forum-Shopping. Section 2, Rule 38 requires that a petition for relief must be filed with the court which rendered the judgment or order sought to be set aside, and in the same case wherein the judgment or order was rendered. If the court finds that the allegations in the petition for relief are true, it shall set aside the judgment and try the principal case upon the merits as if a timely motion for new trial had been granted.[53] Clearly, then, a petition for relief is not an initiatory pleading in a new case which would require the filing by the petitioner therein of a Certification of Non-Forum Shopping.

The Court also finds no abuse of discretion by the Sandiganbayan in denying petitioners' Urgent Motion for Voluntary Inhibition. As explained in *Gutang v. Court of Appeals*,[54] the import of the rule on voluntary inhibition is that the decision of a judge on whether or not to inhibit is left to his or her sound discretion and conscience, based on his or her rational and logical assessment of the case where the motion for inhibition is filed. It implies that in addition to pecuniary interest, relationship, or previous participation in the matter under litigation—which are grounds for mandatory inhibition under the first paragraph of Section 1, Rule 137 of the Revised Rules of Court—there might be other causes that could diminish the objectivity of the judge, thus warranting his or her inhibition. Petitioners' claim of bias and partiality on the part of the Sandiganbayan justices who issued the April 11, 2000 Resolution, evaluated in light of the resolution itself, is evidently more imagined than real. To say, as is petitioners' wont, that a judge who throws out a party's motion in the language employed by the Sandiganbayan in the questioned Resolution is necessarily prejudiced, is to be indiscriminate and

precipitate.

Petitioners' assertion that the April 11, 2000 Resolution was harshly worded and evinced prejudgment of the case in respondent's favor is easily disproved by a reading of the Resolution in its entirety. As will be discussed hereafter, the Sandiganbayan's pronouncement that the Compromise Agreement was grossly disadvantageous and prejudicial to the government is supported by the facts on record. In charging the Sandiganbayan with forejudgment when it said that "all it takes to prove the case is evidence that the properties are manifestly out of proportion to the late Mayor Maximino A. Argana's salary and to his other lawful income and other legitimately acquired income,"[55] petitioners have taken the statement out of context. The Sandiganbayan made the statement in relation to its bewilderment as to why the PCGG expressed difficulty in prosecuting the case against the late Mayor Argana in spite of the presumption regarding unexplained wealth in Section 8 of R.A. No. 3019 (the Anti-Graft and Corrupt Practices Act). The Sandiganbayan therefore had legal and factual grounds to deny petitioners' motion for inhibition.

Anent the propriety of the Sandiganbayan's nullification of the Compromise Agreement on the ground of extrinsic fraud, the Court holds that no error nor grave abuse of discretion can be ascribed to the Sandiganbayan for ruling that the execution of the Compromise Agreement was tainted with fraud on the part of petitioners and in connivance with some PCGG officials. A circumspect review of the record of the case reveals that fraud, indeed, was perpetuated upon respondent in the execution of the Compromise Agreement, the assessed or market values of the properties offered for settlement having been concealed from the reviewing authorities such as the PCGG En Banc and even the President of the Republic. The discussion of the Sandiganbayan on the nature and extent of the fraud perpetuated upon respondent in the execution of the Compromise Agreement is clear and convincing:

Noticeable from the documents submitted to the court after the decision approving the Compromise Agreement was promulgated is the fact that only the percentage of sharing based on area was mentioned and brought to the attention of the PCGG en banc and the Solicitor General. The value of the properties was never, and not even once, mentioned. Thus, in the Memorandum of Director Mauro J. Estrada of the PCGG Research and Development Department to the PCGG Chairman, dated August 18, 1997, the following exposition appears:

"12. On July 10, 1996, the Arganas submitted a proposal for Compromise Agreement (copy attached, per Annex "J") that would cede by donation about 231 hectares of agricultural lands to the government, Xerox copies of nine (9) TCTs attached therewith, enumerated as follows:

"TCT No. Area in Square Meters Location

T-3813 47,908 Famy, Laguna

T-8314 47,461 -do-

T-8315 30,000 -do-

T-8316 40,000 -do-

T-8317 30,000 -do-

T-4104 20,000 -do-

T-4106 38,550 -do-

T-4108 31,618 -do-

T-4044 1,137,361 San Isidro & Banilan,

883,355 Pangil, Laguna

2,306,253 Sq. Meters

230,6253 Hectares

“Another big tract of land located at Matikiw, Pangil, Laguna, consisting of 131,2950 hectares covered by TCT No. T-4009, per Annex “K” may be considered for inclusion in the proposed compromise settlement. The reason for this is that this land is being eyed by the DAR for distribution under the CARP. As a whole, the government may be able to acquire about 361.9203 hectares of land equivalent to 75.12% of the 481.7742 hectares of land of sequestered real estate property belonging to the Arganas and other owners.

“However, of the 481.7742 hectares covered by a sequestration order, the late Mayor Argana owns about 409.50817 hectares and possibly the heirs are willing to cede 361.9203 hectares which is equivalent to 88.38%, retaining 47.5887 hectares or 11.62% of what they owned.

“E. EVALUATION

“1)

As presented in Annex “L”, page 13, the total area of real estate property sequestered aggregated to 481.7742 hectares accounted as follows:

Total Area Sequestered 100.00% 481.77422

Accounted as Follows:

a) owned by Mayor Maximino Argana 75.12% 409.50817 has.

b) Owned by his Brothers & Sisters 9.88% 26.6318 has.

c) Foreclosed by Los Baños Rural Bank 1.24% 5.9856 has.

d) Owned by Other Persons 8.23% 39.64865 has.

TOTAL 100.00% 481.77422 has.

“2)

Out of the total area of 481.77422 hectares covered by a sequestration order, about 409.50817 hectares are owned by the late Mayor Argana. The other lots are owned by his brothers and sisters (26.6318 hectares), foreclosed by Los Baños Rural Bank (5.9856 hectares), and registered and/or acquired by other persons (39.64865 hectares). In the event that the other big area consisting of 131.2950 hectares of land is included in the compromise settlement in favor of the government, a total of 361-50817 (sic) hectares of land would comprise about 88.38 % of the 409.50817 hectares registered in the name of the late Mayor Argana.

3)

However, as a whole the 361.9203 hectares to be ceded to the government is equivalent to 75.12% of the 481.77422 hectares sequestered by PCGG as presented above. Since the late mayor owns 409.50817 hectares to the government, the percentage share of the government would be 88.38 % and the remaining 11.62 % may be retained by the heirs of the late Mayor Argana, equivalent to 47.58787 hectares.

“F. SUMMARY

“The family of the late Mayor Maximino A. Argana offered to cede to the government a total of 230.62553 hectares of land covered by nine (9) TCTs. Another property, however, consisting of 131.2950 hectares may be considered for inclusion which would increase to 361.9203 hectares of land that may be ceded to the government.

“In the event that the 361.9203 hectares are finally considered and acceptable by both parties, the PCGG and the Arganas, the 481.77422 hectares of sequestered property would be accounted as follows:

Total Area Sequestered 100.00% 481.77422 has.

Accounted as follows:

- a) To be ceded the Government 75.12% 361.9203 has.
- b) To be retained by the late Mayor Argana’s Heirs 9.88% 47.78787 has.
- c) Owned by his Brothers & Sisters 5.53% 26.6318 has.
- d) Foreclosed by Los Baños Rural Bank 1.24% 5.9856 has.
- e) Owned by Other Persons 8.23% 39.64865 has.

Total 100.00% 481.77422 has.

“However, since the late Mayor Argana owns 409.50817 hectares sequestered and may possibly cede 361.9203 hectares, the percentage share of the government would be 88.38% of the 409.50817 hectares actually registered in his name and his children.

“G. RECOMMENDATION

“The PCGG wanted to recover as much as it could and as fast as possible, while the Arganas wanted to buy peace without admitting guilt. In order to avoid further lengthy litigation and to put an end to an almost ten-year unresolved sequestration issue, and to expedite recovery so that the remaining assets may be used to contribute to the national recovery, the 230.6253 hectares of land covered by nine (9) TCTs (Nos. T-3813, T-3814, T-3815, T-3816, T-3817, T-4104, T-4106, T-4108 and T-4044) offered by the Arganas be favorably considered, on condition that another real estate property covered by TCT No. T-4009, located at Matikiw, Pangil, Laguna, consisting of 131.2950 hectares, be included and to be ceded to the government. All other lots sequestered should be freed from the sequestration order.

“As a whole, the government stands to acquire about 361.9203 hectares out of the 409.50817 hectares registered in the name of Sps. Maximino A. Argana, REFEDOR, and their children, equivalent to 88.38%. The remaining 11.62% or 47.58787 hectares will be retained by the latter.

“For the consideration of the Commission.

Signed

MAURO J. ESTRADA”

(Record, v. 6, pp. 776-78)

(Underlining supplied)

....

The value of the properties must have been raised or even discussed during the several years that the properties were held under sequestration. Yet, not even the PCGG bothered to produce any tax declaration, assessment or appraisal to show the assessed or fair market value of the properties. . . .

Again in another Memorandum of Director Mauro J. Estrada to PCGG Counsel Edgardo L. Kilayko, dated February 2, 1988, the properties were listed according to the name of the owner, certificate of title, area in square meters, location and percentages in relation to the whole. Obvious from the listing is the absence of a column to indicate the value of the properties or their classification. . . .

The percentage based solely on area, was clearly emphasized, as shown by the following portions of said Memorandum:

“Out of the 409.50817 hectares registered in the name of Spouses Maximo A. Argana and Donata A. Argana as presented above, 361.9203 hectares covering eleven (11) TCTs are to be ceded to the government under the compromise agreement signed by Argana and the Commission in the latter part of 1997. The 361.9203 hectares to be ceded to the government is equivalent to 75.12 % of the total area of 481.77422 hectares, as presented below: x x x” (Record, v. 6, p. 1739) (underlining supplied)

“As a whole, there are 324 TCTs/OCTs covering a total area of 481.77422 hectares, out of which the heirs of the late Mayor agreed to cede 361.9203 hectares equivalent to 75.12 % of the total area. Sometime. In August 1997, the Commission agreed to accept the offer by concluding a compromise agreement with the heirs of the late Mayor.” (Record, v. 6, p. 1739) (underlining supplied)

....

. . . The values were deliberately omitted to make it appear that the Compromise Agreement adheres to the 75%-25% ratio broadly adopted by the PCGG in compromising cases of ill-gotten wealth. It was this 75%-25% mode of compromise, with the greater share of 75% going to the government that misled the Court to believe, as We did believe, that the Compromise Agreement was fair, reasonable and advantageous to the Government. . . .

. . . What was projected to be a 75%-25% ratio was in reality a 00.15%-99.85% ratio, with 99.85% going to the Arganas. This is unconscionable and immoral. And since it results in a transaction grossly disadvantageous and immoral to the government, it is against the law as being violative of Section 3(g) of Republic Act 3019.

...

In the instant case, fraud of an extrinsic character exists because the representatives of plaintiff Republic in the PCGG connived with defendants in hiding the assessed or market values of the properties involved, so as to make it appear that the Compromise Agreement adhered to the 75%-25% ratio adopted by the PCGG in entering into compromise of cases involving the recovery of ill-gotten wealth. Through their infidelity, those in the PCGG who handled or were closely involved with the case during the last days of the previous administration fraudulently gave the Compromise Agreement a semblance of fairness and official acceptability. They sold plaintiff Republic down the river by entering into an agreement grossly disadvantageous to the government. For while plaintiff Republic got 00.15% (00.15074) of the estimated value of all the properties involved in this case, defendants almost ran away with 99.85% (99.84526) of their value. This is patently unfair. It is no compromise but a virtual sell-out. It could not have been pulled off without the connivance or collusion of those responsible for the case in the PCGG. Instead of protecting the interest of the government, they connived at its defeat...almost.[56] (Emphasis in the original.)

It is evident from the foregoing that the ruling of the Sandiganbayan is grounded on facts and on the law. The Court sees no reason to depart from the conclusions drawn by the Sandiganbayan on the basis of its findings, especially considering that the three justices comprising the Sandiganbayan's Third Division conducted a thorough examination of the documents submitted by the parties to this case, heard the testimonies of the parties' witnesses and observed their deportment during the hearing on the Motion to Rescind.

Moreover, it is an established rule that the State cannot be estopped by the mistakes of its agents.[57] Respondent cannot be bound by a manifestly unjust compromise agreement reviewed on its behalf and entered into by its representatives from the PCGG who apparently were not looking after respondent's best interests.

WHEREFORE, the petition is DISMISSED for lack of merit. The Resolution dated April 11, 2000 of the

Sandiganbayan granting the Motion to Rescind Compromise Agreement and to Set Aside Judgment by Compromise and setting the case for pre-trial, as well as the Order dated February 22, 2001 denying petitioners' motion for reconsideration, are hereby AFFIRMED.

Costs against petitioners.

SO ORDERED.

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

[1] Republic of the Philippines v. Maria Remedios Argana, As Administratrix of the Intestate Estate of the Deceased Maximino A. Argana and in her own behalf, Donata Almendrala Vda. De Argana, Luis Argana, Jr., Peregrino Argana, Estate Of Gelacio Argana, Eufrocinio Nofuente, Amparo Argana Nofuente, Juanito Rogelio, Milagros Argana Rogelio, Maria Felicidad Argana, Maria Dorotea Argana, Refedor South Gold Property Management & Development Corporation.

[2] Now Muntinlupa City.

[3] See Republic of the Philippines v. Sandiganbayan, G.R. No. 115906, September 29, 1994, 237 SCRA 242. The Court held therein that the PCGG has the power to conduct preliminary investigation of cases for forfeiture of allegedly ill-gotten wealth although not committed by the respondent or defendant in close association with former President Ferdinand E. Marcos.

[4] The Resolution was approved by the PCGG En Banc, i.e., Chairman Magtanggol C. Gunigundo, Commissioners Reynaldo S. Guiao, Hermilo R. Rosal, Juliet C. Bertuben and Herminio A. Mendoza. It states:

WHEREAS, the Argana family had on various occasions offered to enter into a compromise settlement agreement with the Government thru the Presidential Commission on Good Government (PCGG);

WHEREAS, the Commission has examined the manner of acquisition of the Argana properties, and relieves that it is for the best interest of the Government and the Filipino people to accept said offer and since the evidence may not sufficiently warrant continuing the maintenance of the case;

WHEREAS, both parties believe that a compromise settlement is to their mutual benefit and best interest;

NOW, THEREFORE, be it resolved as it is hereby RESOLVED, that the offer of compromise settlement agreement by the Arganas is hereby approved. PROVIDED, FURTHER, that the compromise settlement agreement shall be approved by the President of the Republic of the Philippines and the Sandiganbayan. Commissioners REYNALDO S. GUIAO and HERMINIO A. MENDOZA are hereby authorized to sign the Compromise Agreement for and in behalf of the Commission (Rollo, p. 65).

[5] The tract of land referred to is a 131.2950-hectare property located at Matikiw, Pangil, Laguna, covered by TCT No. T-4009.

[6] See April 11, 2001 Resolution of the Sandiganbayan in Civil Case No. 0026; Rollo, p. 174.

[7] Id. at 76.

[8] The letter was sent by PCGG Commissioner Mendoza to Acting Solicitor General Romeo C. Dela Cruz; Id. at 80.

[9] Id. at 80.

[10] Id. at 81.

[11] Id. at 82.

[12] Id. at 85-92.

[13] Answer; Id. at 112.

[14] An Act Declaring Forfeiture in Favor of the State Any Property Found to Have Been Unlawfully Acquired by Any Public Officer or Employee and Providing for the Proceedings Therefor; June 18, 1995.

[15] Rollo, pp. 165-171.

[16] April 11, 2000 Resolution; Id. at 176-180.

[17] Id. at 63-64.

[18] Id. at 62.

[19] Id. at 268-269.

[20] Memorandum for Petitioners, Id. at 332.

[21] Id. at 333-337.

[22] Id. at 335.

[23] Id. at 342-349.

[24] Id. at 337-341.

[25] Id. at 343-346.

[26] No. L-40683, June 27, 1975, 64 SCRA 524.

[27] Rollo, pp. 343-345.

[28] Id. at 350-352.

[29] Id. at 358-360.

[30] Resolution dated April 11, 2000; Id. at 180-181.

[31] Id. at 362-364.

[32] Id. at 364-365.

[33] Memorandum for Respondent; Id. at 286.

[34] Id. at 287-291.

[35] Id. at 291-294.

[36] Id. at 295-298.

[37] Id. at 306-308.

[38] Id. at 308.

[39] Id. at 298, 309-310.

[40] Id. at 300-301.

[41] Id. at 302.

[42] Id. at 258-262.

[43] Id. at 308-309.

[44] Section 1, Rule 65, 1997 Rules on Civil Procedure.

[45] *Arrieta v. Malayan Sawmill Company*, 133 Phil. 481 (1968).

[46] See Sections 2 and 9, R.A. No. 1379.

[47] *Manipor v. Ricafort*, G.R. No. 150159, July 25, 2003, 407 SCRA 298; and *Bodiogan v. Hon. Ceniza, et al.*, 102 Phil. 750 (1957).

[48] *Gold Line Transit, Inc. v. Ramos*, 415 Phil. 492 (2001).

[49] See *Mago v. Court of Appeals*, 363 Phil. 225 (1999); *Balite v. Cabangon*, 126 Phil. 450 (1967); *People's Homesite & Housing Corp. (PHHC) v. Tiongco, et al.*, 120 Phil. 994 (1964). See also *Prudential Bank v. Macadaeg*, 105 Phil. 791 (1959).

[50] In *Mago* (supra note 49), the petition for relief was filed nine (9) days from the lapse of the sixty (60)-day period. In *PHHC* (supra note 49), although the petition for relief was also filed beyond the sixty (60)-day period, the Court directed the trial court to admit the motion in view of the "fishy and suspicious" conduct of defendants' counsel which resulted in depriving them of their day in court.

[51] Supra note 49.

[52] Id., citing *Fabar v. Rodelas*, No. L-46394, October 26, 1977, 79 SCRA 638, and *Consul v. Consul*, No. L. 22713, July 26, 1966, 79 SCRA 667.

[53] *Braca v. Tan*, 84 Phil. 582 (1949).

[54] 354 Phil. 77 (1998).

[55] *Rollo*, p. 178.

[56] Id. at 172-180.

[57] *Republic v. Imperial*, 362 Phil. 466 (1999); Concurring Opinion of J. Puno in *Republic v. Court of Appeals*, 359 Phil. 530 (1998); *Lim v. Pacquing*, 310 Phil. 722 (1995); *GSIS v. Court of Appeals*, G.R. No. 103590, January 29, 1993, 218 SCRA 233; *Republic v. Intermediate Appellate Court*, G.R. No. 69138, May 19, 1992, 209 SCRA 90; *Republic v. Court of Appeals*, No. L-56077, February 28, 1995, 135 SCRA 156. See also *Republic v. Sandiganbayan*, G.R. Nos. 108292, 108363, 108548-49 and 108550, September 10, 1993, 226 SCRA 314.

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