

**CATALINA B. CHU, THEANLYN B. CHU, THEAN CHING LEE B. CHU,
THEAN LEEWN B. CHU, AND MARTIN LAWRENCE B. CHU,
PETITIONERS, VS. SPOUSES FERNANDO C. CUNANAN AND TRINIDAD
N. CUNANAN, B...**

G.R. No. 156185. September 12, 2011

Ponente: BERSAMIN, J.

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BERSAMIN, J.:

If two or more suits are instituted on the basis of the same cause of action, the filing of one or a judgment upon the merits in any one is available as a ground for the dismissal of the others.[1]

We review the decision promulgated on November 19, 2002,[2] whereby the Court of Appeals (CA) dismissed the petitioners' amended complaint in Civil Case No. 12251 of the Regional Trial Court, Branch 41, in San Fernando City, Pampanga (RTC) for being barred by *res judicata*.

Antecedents

On September 30, 1986, Spouses Manuel and Catalina Chu (Chus) executed a deed of sale with assumption of mortgage[3] involving their five parcels of land situated in Saguin, San Fernando City, Pampanga, registered under Transfer Certificate of Title (TCT) No. 198470-R, TCT No. 198471-R, TCT No. 198472-R, TCT No. 198473-R, and TCT No. 199556-R, all of the Office of the Registry of Deeds of the Province of Pampanga, in favor of Trinidad N. Cunanan (Cunanan) for the consideration of P5,161,090.00. They also executed a so-called side agreement, whereby they clarified that Cunanan had paid only P1,000,000.00 to the Chus despite the Chus, as vendors, having acknowledged receiving P5,161,090.00; that the amount of P1,600,000.00 was to be paid directly to Benito Co and to Security Bank and Trust Company (SBTC) in whose favor the five lots had been mortgaged; and that Cunanan would pay the balance of P2,561.90.00 within three months, with a grace period of one month subject to 3%/month interest on any remaining unpaid amount. The parties further stipulated that the ownership of the lots would remain with the Chus as the vendors and would be transferred to Cunanan only upon complete payment of the total consideration and compliance with the terms of the deed of sale with assumption of mortgage.[4]

Thereafter, the Chus executed a special power of attorney authorizing Cunanan to borrow P5,161,090.00 from any banking institution and to mortgage the five lots as security, and then to deliver the proceeds to the Chus net of the balance of the mortgage obligation and the downpayment.[5]

Cunanan was able to transfer the title of the five lots to her name without the knowledge of the Chus, and to borrow money with the lots as security without paying the balance of the purchase price to the Chus. She later transferred two of the lots to Spouses Amado and Gloria Carlos (Carloses) on July 29, 1987. As a result, on March 18, 1988, the Chus caused the annotation of an unpaid vendor's lien on three of the lots. Nonetheless, Cunanan still assigned the remaining three lots to Cool Town Realty on May 25, 1989 despite the annotation.[6]

In February 1988, the Chus commenced Civil Case No. G-1936 in the RTC to recover the unpaid balance from Spouses Fernando and Trinidad Cunanan (Cunanans). Five years later, on April 19, 1993, the Chus amended the complaint to seek the annulment of the deed of sale with assumption of mortgage and of the TCTs issued pursuant to the deed, and to recover damages. They impleaded Cool Town Realty and Development Corporation (Cool Town Realty), and the Office of the Registry of Deeds of Pampanga as defendants in addition to the Cunanans.[7]

Considering that the Carloses had meanwhile sold the two lots to Benelda Estate Development Corporation (Benelda Estate) in 1995, the Chus further amended the complaint in Civil Case No. G-1936 to implead Benelda Estate as additional defendant. In due course, Benelda Estate filed its answer with a motion to dismiss, claiming, among others, that the amended complaint stated no cause of action because it had acted in good faith in buying the affected lots, exerting all efforts to verify the authenticity of the titles, and had found no defect in them. After the RTC denied its motion to dismiss, Benelda Estate assailed the denial on certiorari in the CA, which annulled the RTC's denial for being tainted with grave abuse of discretion and dismissed Civil Case No. G-1936 as against Benelda Estate. On March 1, 2001, the Court upheld the dismissal of Civil Case No. G-1936 in G.R. No. 142313 entitled *Chu, Sr. v. Benelda Estate Development Corporation*. [8]

On December 2, 1999, the Chus, the Cunanans, and Cool Town Realty entered into a compromise agreement,[9] whereby the Cunanans transferred to the Chus their 50% share in "all the parcels of land situated in Saguin, San Fernando, Pampanga" registered in the name of Cool Town Realty "for and in consideration of the full settlement of their case." The RTC approved the compromise agreement in a partial decision dated January 25, 2000.[10]

Thereafter, on April 30, 2001, the petitioners herein (i.e., Catalina Chu and her children) brought another suit, Civil Case No. 12251, against the Carloses and Benelda Estate,[11] seeking the cancellation of the TCTs of the two lots in the name of Benelda Estate, and the issuance of new TCTs in their favor, plus damages.

The petitioners amended their complaint in Civil Case No. 12251 on February 4, 2002 to implead the Cunanans as additional defendants.[12]

The Cunanans moved to dismiss the amended complaint based on two grounds, namely: (a) bar by prior judgment, and (b) the claim or demand had been paid, waived, and abandoned. Benelda Estate likewise moved to dismiss the amended complaint, citing as grounds: (a) forum shopping; (b) bar by prior judgment, and (c) failure to state a cause of action. On their part, the Carloses raised affirmative defenses in their answer, namely: (a) the failure to state a cause of action; (b) *res judicata* or bar by prior judgment; and (c) bar by statute of limitations.

On April 25, 2002, the RTC denied both motions to dismiss,[13] holding that the amended complaint stated a cause of action against all the defendants; that the action was not barred by *res judicata* because there was no identity of parties and subject matter between Civil Case No. 12251 and Civil Case No. G-1936; and that the Cunanans did not establish that the petitioners had waived and abandoned their claim or that their claim had been paid by virtue of the compromise agreement, pointing out that the compromise agreement involved only the three parcels of land registered in the name of Cool Town Realty.[14]

The Cunanans sought reconsideration, but their motion was denied on May 31, 2002.[15]

On September 2, 2002, the Cunanans filed a petition for certiorari in the CA (SP-72558), assailing the RTC's denial of their motion to dismiss and motion for reconsideration.[16]

On November 19, 2002, the CA promulgated its decision,[17] granting the petition for certiorari and nullifying the challenged orders of the RTC. The CA ruled that the compromise agreement had ended the legal controversy between the parties with respect to the cause of action arising from the deed of sale with assumption of mortgage covering all the five parcels of land; that Civil Case No. G-1936 and Civil Case No. 12251 involved the violation

by the Cunanans of the same legal right under the deed of sale with assumption of mortgage; and that the filing of Civil Case No.12251 contravened the rule against splitting of a cause of action, and rendered Civil Case No.12251 subject of a motion to dismiss based on bar by res judicata. The CA disposed thusly:

WHEREFORE, premises considered, the present petition for certiorari is hereby GIVEN DUE COURSE and the writ prayed for, accordingly GRANTED. Consequently, the challenged Orders of the respondent court denying the motions to dismiss are hereby ANNULLED and SET ASIDE and a new one is hereby rendered DISMISSING the Amended Complaint in Civil Case No. 12251.

No costs.

SO ORDERED.[18]

Hence, this appeal.

Issue

Was Civil Case No. 12251 barred by res judicata although the compromise agreement did not expressly include Benelda Estate as a party and although the compromise agreement made no reference to the lots now registered in Benelda Estate's name?

Ruling

We deny the petition for review.

I

The petitioners contend that the compromise agreement did not apply or extend to the Carloses and Benelda Estate; hence, their Civil Case No. 12251 was not barred by res judicata.

We disagree.

A compromise agreement is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.[19] It encompasses the objects specifically stated therein, although it may include other objects by necessary implication,[20] and is binding on the contracting parties, being expressly acknowledged as a juridical agreement between them.[21] It has the effect and authority of res judicata upon the parties.[22]

In the construction or interpretation of a compromise agreement, the intention of the parties is to be ascertained from the agreement itself, and effect should be given to that intention.[23] Thus, the compromise agreement must be read as a whole.

The following pertinent portions of the compromise agreement indicate that the parties intended to thereby settle all their claims against each other, to wit:

1. That the defendants SPOUSES TRINIDAD N.CUNANAN and FERNANDO C.CUNANAN for and in consideration of the full settlement of their case in the above-entitled case, hereby TRANSFER, DELIVER, and CONVEY unto the plaintiffs all their rights, interest, benefits, participation, possession and ownership which consists of FIFTY (50%) percent share on all the parcels of land situated in Saguin, San Fernando Pampanga now registered in the name of defendant, COOL TOWN REALTY & DEVELOPMENT CORPORATION, as particularly evidenced by the corresponding Transfer Certificates of Titles xxx

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6. That the plaintiffs and the defendant herein are waiving, abandoning, surrendering, quitclaiming, releasing,

relinquishing any and all their respective claims against each other as alleged in the pleadings they respectively filed in connection with this case.[24] (bold emphasis supplied)

The intent of the parties to settle all their claims against each other is expressed in the phrase any and all their respective claims against each other as alleged in the pleadings they respectively filed in connection with this case, which was broad enough to cover whatever claims the petitioners might assert based on the deed of sale with assumption of mortgage.

There is no question that the deed of sale with assumption of mortgage covered all the five lots, to wit:

WHEREAS, the VENDORS are willing to sell the above-described properties and the VENDEE is willing to buy the same at FIFTY FIVE (P55.00) PESOS, Philippine Currency, per square meter, or a total consideration of FIVE MILLION ONE HUNDRED SIXTY ONE THOUSAND and NINETY (P5,161,090.00) PESOS, Philippine Currency.[25]

To limit the compromise agreement only to the three lots mentioned therein would contravene the avowed objective of Civil Case No. G-1936 to enforce or to rescind the entire deed of sale with assumption of mortgage. Such interpretation is akin to saying that the Cunanans separately sold the five lots, which is not the truth. For one, Civil Case No. G-1936 did not demand separate amounts for each of the purchased lots. Also, the compromise agreement did not state that the value being thereby transferred to the petitioners by the Cunanans corresponded only to that of the three lots.

Apparently, the petitioners were guilty of splitting their single cause of action to enforce or rescind the deed of sale with assumption of mortgage. Splitting a single cause of action is the act of dividing a single or indivisible cause of action into several parts or claims and instituting two or more actions upon them.[26] A single cause of action or entire claim or demand cannot be split up or divided in order to be made the subject of two or more different actions.[27] Thus, Section 4, Rule 2 of the Rules of Court expressly prohibits splitting of a single cause of action, viz:

Section 4. Splitting a single cause of action; effect of. -- If two or more suits are instituted on the basis of the same cause of action, the filing of one or a judgment upon the merits in any one is available as a ground for the dismissal of the others. (4a)

The petitioners were not at liberty to split their demand to enforce or rescind the deed of sale with assumption of mortgage and to prosecute piecemeal or present only a portion of the grounds upon which a special relief was sought under the deed of sale with assumption of mortgage, and then to leave the rest to be presented in another suit; otherwise, there would be no end to litigation.[28] Their splitting violated the policy against multiplicity of suits, whose primary objective was to avoid unduly burdening the dockets of the courts. Their contravention of the policy merited the dismissal of Civil Case No. 12251 on the ground of bar by res judicata.

Res judicata means a matter adjudged, a thing judicially acted upon or decided; a thing or matter settled by judgment.[29] The doctrine of res judicata is an old axiom of law, dictated by wisdom and sanctified by age, and founded on the broad principle that it is to the interest of the public that there should be an end to litigation by the same parties over a subject once fully and fairly adjudicated. It has been appropriately said that the doctrine is a rule pervading every well-regulated system of jurisprudence, and is put upon two grounds embodied in various maxims of the common law: the one, public policy and necessity, which makes it to the interest of the State that there should be an end to litigation - interest reipublicae ut sit finis litium; the other, the hardship on the individual that he should be vexed twice for one and the same cause - nemo debet bis vexari pro una et eadem causa. A contrary doctrine would subject the public peace and quiet to the will and neglect of individuals and prefer the gratification of the litigious disposition on the part of suitors to the preservation of the public tranquillity and

happiness.[30]

Under the doctrine of res judicata, a final judgment or decree on the merits rendered by a court of competent jurisdiction is conclusive of the rights of the parties or their privies in all later suits and on all points and matters determined in the previous suit.[31] The foundation principle upon which the doctrine rests is that the parties ought not to be permitted to litigate the same issue more than once; that when a right or fact has been judicially tried and determined by a court of competent jurisdiction, so long as it remains unreversed, should be conclusive upon the parties and those in privity with them in law or estate.[32]

Yet, in order that res judicata may bar the institution of a subsequent action, the following requisites must concur:- (a) the former judgment must be final; (b) it must have been rendered by a court having jurisdiction of the subject matter and the parties; (c) it must be a judgment on the merits; and (d) there must be between the first and second actions (i) identity of parties, (ii) identity of the subject matter, and (iii) identity of cause of action.[33]

The first requisite was attendant. Civil Case No. G-1936 was already terminated under the compromise agreement, for the judgment, being upon a compromise, was immediately final and unappealable. As to the second requisite, the RTC had jurisdiction over the cause of action in Civil Case No. G-1936 for the enforcement or rescission of the deed of sale with assumption of mortgage, which was an action whose subject matter was not capable of pecuniary estimation. That the compromise agreement explicitly settled the entirety of Civil Case No. G-1936 by resolving all the claims of the parties against each other indicated that the third requisite was also satisfied.[34]

But was there an identity of parties, of subject matter, and of causes of action between Civil Case No. G-1936 and Civil Case No. 12251?

There is identity of parties when the parties in both actions are the same, or there is privity between them, or they are successors-in-interest by title subsequent to the commencement of the action litigating for the same thing and under the same title and in the same capacity.[35] The requirement of the identity of parties was fully met, because the Chus, on the one hand, and the Cunanans, on the other hand, were the parties in both cases along with their respective privies. The fact that the Carloses and Benelda Estate, defendants in Civil Case No. 12251, were not parties in the compromise agreement was inconsequential, for they were also the privies of the Cunanans as transferees and successors-in-interest. It is settled that the absolute identity of parties was not a condition sine qua non for res judicata to apply, because a shared identity of interest sufficed.[36] Mere substantial identity of parties, or even community of interests between parties in the prior and subsequent cases, even if the latter were not impleaded in the first case, was sufficient.[37]

As to identity of the subject matter, both actions dealt with the properties involved in the deed of sale with assumption of mortgage. Identity of the causes of action was also met, because Case No. G-1936 and Civil Case No. 12251 were rooted in one and the same cause of action - the failure of Cunanan to pay in full the purchase price of the five lots subject of the deed of sale with assumption of mortgage. In other words, Civil Case No. 12251 reprised Civil Case No. G-1936, the only difference between them being that the petitioners alleged in the former that Benelda Estate was "not also a purchaser for value and in good faith." [38]

In fine, the rights and obligations of the parties vis-à-vis the five lots were all defined and governed by the deed of sale with assumption of mortgage, the only contract between them. That contract was single and indivisible, as far as they were concerned. Consequently, the Chus could not properly proceed against the respondents in Civil Case No. 12251, despite the silence of the compromise agreement as to the Carloses and Benelda Estate, because there can only be one action where the contract is entire, and the breach total, and the petitioners must therein recover all their claims and damages.[39] The Chus could not be permitted to split up a single cause of action and make

that single cause of action the basis of several suits.[40]

WHEREFORE, we deny the petition for review on certiorari, and affirm the decision promulgated in CA-G.R. SP No. 72558.

The petitioners shall pay the costs of suit.

SO ORDERED.

Corona, C.J., (Chairperson), Leonardo-De Castro, Del Castillo, and Perez,[*] JJ., concur.

[*] In lieu of Justice Martin S. Villarama, Jr. per raffle of August 31, 2011.

[1] Section 4, Rule 2, Rules of Court.

[2] Rollo, pp. 49-56; penned by Associate Justice Martin S. Villarama, Jr. (now a Member of the Court), with Associate Justice Godardo A. Jacinto (retired) and Associate Justice Mario L. Guariña III, concurring.

[3] CA rollo, pp. 55-57.

[4] Id., pp. 58-60.

[5] Id., pp. 61-62.

[6] Id., pp. 87-92.

[7] Id., pp. 153-162.

[8] 353 SCRA 424.

[9] CA rollo, pp. 103-105.

[10] Id., pp. 107-110.

[11] Records, Vol. I, pp. 2-17.

[12] Id., pp. 229-246.

[13] Id., pp. 381-385.

[14] Id., p. 384.

[15] Records, Vol. II, p. 500.

[16] CA rollo, pp. 2-24.

[17] Supra, note 2.

[18] CA rollo, p. 202.

[19] Article 2028, Civil Code.

[20] Article 2036, Civil Code.

[21] National Commercial Bank of Saudi Arabia v. Court of Appeals, G.R. No. 124267, January 17, 2005, 448 SCRA 340, 345.

- [22] Presidential Commission on Good Government v. Sandiganbayan, G.R. No. 157592, October 17, 2008, 569 SCRA 360, 371.
- [23] Adriatico Consortium, Inc. v. Land Bank, G.R. No. 187838, December 23, 2009, 609 SCRA 403.
- [24] CA rollo, pp. 103-105.
- [25] CA rollo, p. 56.
- [26] Perez v. Court of Appeals, G.R. No. No. 157616, July 22, 2005, 464 SCRA 89; citing Nabus v. Court of Appeals, G.R. No. 91670, February 7, 1991, 193 SCRA 732.
- [27] Tuttle v. Everhot Heater Co., Inc., 249 N.W. 467 (1933).
- [28] Mallion v. Alcantara, G.R. No. 141528, October 31, 2006, 506 SCRA 336; Perez v. Court of Appeals, G.R. No. 157616, July 22, 2005, 464 SCRA 89.
- [29] Manila Electric Company v. Philippine Consumers Foundation, Inc., G.R. No. 101783, January 23, 2002, 374 SCRA 262, 272.
- [30] Allied Banking Corporation v. Court of Appeals, G.R. No. 108089, January 10, 1994, 229 SCRA 252.
- [31] Dela Cruz v. Joaquin, G.R. No. 162788, July 28, 2005, 464 SCRA 576.
- [32] Republic v. Court of Appeals, G.R. No. 101115, August 22, 2002, 387 SCRA 549.
- [33] Custodio v. Corrado, G.R. No. 146082, July 30 2004, 435 SCRA 500; Carlet v. Court of Appeals, G.R. No. 114275, July 7, 1997, 275 SCRA 97; Suarez v. Court of Appeals, G.R. No. 83251, January 23, 1991, 193 SCRA 183; Filipinas Investment and Finance Corporation v. Intermediate Appellate Court, G.R. Nos. 66059-60, December 4, 1989, 179 SCRA 728.
- [34] Uy v. Chua, G.R. No. 183965, September 18, 2009, 600 SCRA 806, 817.
- [35] Taganas v. Emuslan, G.R. No. 146980, September 2, 2003, 410 SCRA 237.
- [36] Cruz v. Court of Appeals, G.R. No. 135101, May 31, 2000, 332 SCRA 747.
- [37] Dapar v. Biascan, G.R. No. 141880, September 27, 2004, 439 SCRA 179.
- [38] CA rollo, p. 39.
- [39] Blossom & Co. v. Manila Gas Corporation, 55 Phil. 226, 240 (1930); Bachrach Motor Co., Inc. v. Icarangal, 68 Phil. 287 (1939).
- [40] Santos v. Moir, 36 Phil. 350, 359 (1917); Rubio de Larena v. Villanueva, 53 Phil. 923, 927 (1928); Lavarro v. Labitoria, 54 Phil. 788 (1930).

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