

PROCESO QUIROS AND LEONARDA VILLEGAS, PETITIONERS, VS. MARCELO ARJONA, TERESITA BALARBAR, JOSEPHINE ARJONA, AND CONCHITA ARJONA, RESPONDENTS.

G.R. No. 158901. March 09, 2004

Ponente: YNARES-SATIAGO, J.

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YNARES-SATIAGO, J.:

Assailed in this petition for review is the decision of the Court of Appeals in an action for the execution/enforcement of amicable settlement between petitioners Proceso Quiros and Leonarda Villegas and respondent Marcelo Arjona. Appellate court reversed the decision of the Regional Trial Court of Dagupan City-Branch 44 and reinstated the decision of the Municipal Trial Court of San Fabian-San Jacinto, Pangasinan.

On December 19, 1996, petitioners Proceso Quiros and Leonarda Villegas filed with the office of the barangay captain of Labney, San Jacinto, Pangasinan, a complaint for recovery of ownership and possession of a parcel of land located at Labney, San Jacinto, Pangasinan. Petitioners sought to recover from their uncle Marcelo Arjona, one of the respondents herein, their lawful share of the inheritance from their late grandmother Rosa Arjona Quiros alias Doza, the same to be segregated from the following parcels of land:

a)

A parcel of land (Lot 1, plan Psu-189983, L.R. Case No. D-614, LRC Record No. N- 22630), situated in the Barrio of Labney, Torud, Municipality of San Jacinto, Province of Pangasinan x x x Containing an area of Forty Four Thousand Five Hundred and Twenty (44,520) square meters, more or less, covered by Tax Decl. No. 607;

b)

A parcel of Unirrig. riceland situated at Brgy. Labney, San Jacinto, San Jacinto, Pangasinan with an area of 6450 sq. meters, more or less declared under Tax Decl. No. 2066 of the land records of San Jacinto, Pangasinan assessed at P2390.00 x x x;

c)

A parcel of Unirrig. riceland situated at Brgy. Labney, San Jacinto, Pangasinan with an area of 6450 sq. meters, more or less, declared under Tax Declaration No. 2047 of the land records of San Jacinto, Pangasinan assessed at P1700.00 x x x

d)

A parcel of Unirrig. riceland situated at Brgy. Labney, San Jacinto, Pangasinan assessed at P5610.00 x x x;

e)

A parcel of Cogon land situated at Brgy. Labney, San Jacinto, Pangasinan, with an area of 14133 sq. meters, more or less declared under Tax Declaration No. 14 of the land records of San Jacinto, Pangasinan assessed at

P2830.00 x x x.[1]

On January 5, 1997, an amicable settlement was reached between the parties. By reason thereof, respondent Arjona executed a document denominated as “PAKNAAN” (“Agreement”, in Pangasinan dialect), which reads:

AGREEMENT

I, MARCELO ARJONA, of legal age, resident of Barangay Sapang, Buho, Palayan City, Nueva Ecija, have a land consisting of more or less one (1) hectare which I gave to Proceso Quiros and Leonarda Villegas, this land was inherited by Doza that is why I am giving the said land to them for it is in my name, I am affixing my signature on this document for this is our agreement besides there are witnesses on the 5[th] day (Sunday) of January 1997.

Signed in the presence of:

(Sgd) Avelino N. De la Masa, Jr.

(Sgd) Marcelo Arjona

Witnesses:

1) (Sgd.) Teresita Balarbar

2) (Sgd.) Josephine Arjona

3) (Sgd.) Conchita Arjona

On the same date, another “PAKNAAN” was executed by Jose Banda, as follows:

AGREEMENT

I, JOSE BANDA, married to Cecilia L. Banda, of legal age, and resident of Sitio Torrod, Barangay Labney, San Jacinto, Pangasinan. There is a land in which they entrusted to me and the same land is situated in Sitio Torrod, Brgy. Labney, San Jacinto, Pangasinan, land of Arjona family.

I am cultivating/tilling this land but if ever Leonarda Villegas and Proceso Quiros would like to get this land, I will voluntarily surrender it to them.

In order to attest to the veracity and truthfulness of this agreement, I affixed (sic) my signature voluntarily below this document this 5th day (Sunday) of January 1997.

(Sgd.) Jose Banda

Signed in the presence of:

(Sgd) Avelino N. de la Masa, Sr.

Barangay Captain

Brgy. Labney, San Jacinto

Pangasinan

Witnesses:

1) Irene Banda

(sgd.)

2) Jose (illegible) x x x

Petitioners filed a complaint with the Municipal Circuit Trial Court with prayer for the issuance of a writ of execution of the compromise agreement which was denied because the subject property cannot be determined with certainty.

The Regional Trial Court reversed the decision of the municipal court on appeal and ordered the issuance of the writ of execution.

Respondents appealed to the Court of Appeals, which reversed the decision of the Regional Trial Court and reinstated the decision of the Municipal Circuit Trial Court.[2]

Hence, this petition on the following errors:

I

THE PAKNAAN BEING A FINAL AND EXECUTORY JUDGMENT UNDER THE LAW IS AN IMMUTABLE JUDGMENT CAN NOT BE ALTERED, MODIFIED OR CHANGED BY THE COURT INCLUDING THE HIGHEST COURT; and

II

THE SECOND PAKNAAN ALLEGEDLY EXECUTED IN CONJUNCTION WITH THE FIRST PAKNAAN WAS NEVER ADDUCED AS EVIDENCE BY EITHER OF THE PARTIES, SO IT IS ERROR OF JURISDICTION TO CONSIDER THE SAME IN THE DECISION MAKING.

The pivotal issue is the validity and enforceability of the amicable settlement between the parties and corollary to this, whether a writ of execution may issue on the basis thereof.

In support of their stance, petitioners rely on Section 416 of the Local Government Code which provides that an amicable settlement shall have the force and effect of a final judgment upon the expiration of 10 days from the date thereof, unless repudiated or nullified by the proper court. They argue that since no such repudiation or action to nullify has been initiated, the municipal court has no discretion but to execute the agreement which has become final and executory.

Petitioners likewise contend that despite the failure of the Paknaan to describe with certainty the object of the contract, the evidence will show that after the execution of the agreement, respondent Marcelo Arjona accompanied them to the actual site of the properties at Sitio Torod, Labney, San Jacinto, Pangasinan and pointed to them the 1 hectare property referred to in the said agreement.

In their Comment, respondents insist that respondent Arjona could not have accompanied petitioners to the subject land at Torrod, Labney because he was physically incapacitated and there was no motorized vehicle to transport him to the said place.

The Civil Code contains salutary provisions that encourage and favor compromises and do not even require judicial approval. Thus, under Article 2029 of the Civil Code, the courts must endeavor to persuade the litigants in a civil case to agree upon some fair compromise. Pursuant to Article 2037 of the Civil Code, a compromise has upon the parties the effect and authority of res judicata, and this is true even if the compromise is not judicially approved. Articles 2039 and 2031 thereof also provide for the suspension of pending actions and mitigation of damages to the losing party who has shown a sincere desire for a compromise, in keeping with the Code's policy of encouraging amicable settlements.[3]

Cognizant of the beneficial effects of amicable settlements, the Katarungang Pambarangay Law (P.D. 1508) and later the Local Government Code provide for a mechanism for conciliation where party-litigants can enter into an agreement in the barangay level to reduce the deterioration of the quality of justice due to indiscriminate filing of court cases. Thus, under Section 416 of the said Code, an amicable settlement shall have the force and effect of a final judgment of the court upon the expiration of 10 days from the date thereof, unless repudiation of the settlement has been made or a petition to nullify the award has been filed before the proper court

Petitioners submit that since the amicable settlement had not been repudiated or impugned before the court within the 10-day prescriptive period in accordance with Section 416 of the Local Government Code, the enforcement of the same must be done as a matter of course and a writ of execution must accordingly be issued by the court.

Generally, the rule is that where no repudiation was made during the 10-day period, the amicable settlement attains the status of finality and it becomes the ministerial duty of the court to implement and enforce it. However, such rule is not inflexible for it admits of certain exceptions. In *Santos v. Judge Isidro*,^[4] the Court observed that special and exceptional circumstances, the imperatives of substantial justice, or facts that may have transpired after the finality of judgment which would render its execution unjust, may warrant the suspension of execution of a decision that has become final and executory. In the case at bar, the ends of justice would be frustrated if a writ of execution is issued considering the uncertainty of the object of the agreement. To do so would open the possibility of error and future litigations.

The Paknaan executed by respondent Marcelo Arjona purports to convey a parcel of land consisting of more or less 1 hectare to petitioners Quiros and Villegas. Another Paknaan, prepared on the same date, and executed by one Jose Banda who signified his intention to vacate the parcel of land he was tilling located at Torrod, Brgy. Labney, San Jacinto, Pangasinan, for and in behalf of the Arjona family. On ocular inspection however, the municipal trial court found that the land referred to in the second Paknaan was different from the land being occupied by petitioners. Hence, no writ of execution could be issued for failure to determine with certainty what parcel of land respondent intended to convey.

In denying the issuance of the writ of execution, the appellate court ruled that the contract is null and void for its failure to describe with certainty the object thereof. While we agree that no writ of execution may issue, we take exception to the appellate court's reason for its denial.

Since an amicable settlement, which partakes of the nature of a contract, is subject to the same legal provisions providing for the validity, enforcement, rescission or annulment of ordinary contracts, there is a need to ascertain whether the Paknaan in question has sufficiently complied with the requisites of validity in accordance with Article 1318 of the Civil Code.^[5]

There is no question that there was meeting of the minds between the contracting parties. In executing the Paknaan, the respondent undertook to convey 1 hectare of land to petitioners who accepted. It appears that while the Paknaan was prepared and signed by respondent Arjona, petitioners acceded to the terms thereof by not disputing its contents and are in fact now seeking its enforcement. The object is a 1-hectare parcel of land representing petitioners' inheritance from their deceased grandmother. The cause of the contract is the delivery of petitioners' share in the inheritance. The inability of the municipal court to identify the exact location of the inherited property did not negate the principal object of the contract. This is an error occasioned by the failure of the parties to describe the subject property, which is correctible by reformation and does not indicate the absence of the principal object as to render the contract void. It cannot be disputed that the object is determinable as to its kind, i.e. 1 hectare of land as inheritance, and can be determined without need of a new contract or agreement.^[6] Clearly, the Paknaan has all the earmarks of a valid contract.

Although both parties agreed to transfer one-hectare real property, they failed to include in the written document a sufficient description of the property to convey. This error is not one for nullification of the instrument but only for reformation.

Article 1359 of the Civil Code provides:

When, there having been a meeting of the minds of the parties to a contract, their true intention is not expressed in the instrument purporting to embody the agreement by reason of mistake, fraud, inequitable

conduct or accident, one of the parties may ask for the reformation of the instrument to the end that such true intention may be expressed.

If mistake, fraud, inequitable conduct, or accident has prevented a meeting of the minds of the parties, the proper remedy is not reformation of the instrument but annulment of the contract.

Reformation is a remedy in equity whereby a written instrument is made or construed so as to express or conform to the real intention of the parties where some error or mistake has been committed.[7] In granting reformation, the remedy in equity is not making a new contract for the parties, but establishing and perpetuating the real contract between the parties which, under the technical rules of law, could not be enforced but for such reformation.

In order that an action for reformation of instrument as provided in Article 1359 of the Civil Code may prosper, the following requisites must concur: (1) there must have been a meeting of the minds of the parties to the contract; (2) the instrument does not express the true intention of the parties; and (3) the failure of the instrument to express the true intention of the parties is due to mistake, fraud, inequitable conduct or accident.[8]

When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement, except when it fails to express the true intent and agreement of the parties thereto, in which case, one of the parties may bring an action for the reformation of the instrument to the end that such true intention may be expressed.[9]

Both parties acknowledge that petitioners are entitled to their inheritance, hence, the remedy of nullification, which invalidates the Paknaan, would prejudice petitioners and deprive them of their just share of the inheritance. Respondent can not, as an afterthought, be allowed to renege on his legal obligation to transfer the property to its rightful heirs. A refusal to reform the Paknaan under such circumstances would have the effect of penalizing one party for negligent conduct, and at the same time permitting the other party to escape the consequences of his negligence and profit thereby. No person shall be unjustly enriched at the expense of another.

WHEREFORE, in view of the foregoing, the petition is DENIED. The Decision dated March 21, 2003 of the Court of Appeals, which reversed the decision of the Regional Trial Court and reinstated the decision of the Municipal Trial Court, is AFFIRMED. This is without prejudice to the filing by either party of an action for reformation of the Paknaan executed on January 5, 1997.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Carpio, and Azcuna, JJ., concur.
Panganiban, J., on official leave.

[1] Rollo, p. 17.

[2] Decision penned by Associate Justice Delilah Vidallon-Magtolis, concurred in by Associate Justices Andres B. Reyes and Regalado E. Maambong.

[3] *Philippine Bank of Communications v. Hon. Juan F. Echiverri, et al.*, G.R. No. L-41795, 29 August 1980, 99 SCRA 508.

[4] Citing *Philippine Veterans Bank v. Intermediate Appellate Court*, 178 SCRA 645 (1989).

[5] Art. 1318. There is no contract unless the following requisites concur:

- 1) Consent of the contracting parties;
- 2) Object certain which is the subject matter of the contract;
- 3) Cause of the obligation which is established.

[6] See Article 1349 of the Civil Code which states:

Art. 1349. The object of every contract must be determinate as to its kind. The fact that the quantity is not determinate shall not be obstacle to the existence of the contract, provided it is possible to determine the same, without the need of a new contract between the parties.

[7] 53 Corpus Juris 906.

[8] The National Irrigation Administration (NIA) represented by the Project Manager, Magat River Multi-Purpose Project v. Estanislao Gamit and The Honorable Court of Appeals, G.R. No. 85869, 6 November 1992, 215 SCRA 436.

[9] Id.

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