HEIRS OF IGMEDIO MAGLAQUE AND SABINA PAYAWAL, NAMELY DAVID P. MAGLAQUE, MAURO P. MAGLAQUE, JOSE P. MAGLAQUE, AND PACITA P. MAGLAQUE, HEREIN DULY REPRESENTED BY JORGE A. LAPUZ, R...

G.R. No. 163360. June 08, 2007

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This is an appeal of the Decision[1] dated November 18, 2003 of the Court of Appeals in CA-G.R. CV No. 73257 and its Resolution[2] dated April 23, 2004 on the motion for reconsideration. The appellate court had affirmed the Order[3] of the Regional Trial Court of Malolos, Bulacan, Branch 19, which dismissed Civil Case No. 769-M-2000, on the ground of bar by prior judgment in Civil Case No. 1189-B.

Civil Case No. 1189-B, for Revocation of Sale and Reconveyance of Title with Damages with Prayer for Writ of Preliminary Injunction, involves a parcel of land owned by the spouses Igmedio Maglaque and Sabina Payawal. Civil Case No. 769-M-2000, for Recovery of Ownership and Damages with Prayer for Writ of Preliminary Injunction and/or Temporary Restraining Order, was filed after the decision in Civil Case No. 1189-B had attained finality.

Briefly, the facts as culled from the records are as follows:

On March 19, 1974, spouses Igmedio Maglaque and Sabina Payawal mortgaged their property in San Miguel, Bulacan to the private respondent Planters Development Bank.[4] The spouses failed to make their payments as stipulated in the contract of mortgage. Hence, the property was foreclosed and sold at public auction. After the lapse of the period of redemption, the bank consolidated ownership over the property and a new Transfer Certificate of Title (TCT) No. T-259923 was issued in its name.

The petitioners filed the first complaint[5] docketed as Civil Case No. 1189-B for Revocation of Sale and Reconveyance of Title with Damages with Prayer for Writ of Preliminary Injunction on August 2, 1980. The complaint assailed the validity of the foreclosure sale.

On August 16, 1985, during pre-trial, the parties submitted a joint stipulation of facts as follows:

> x x x x
>
> 1.- The late Egmidio Maglaque and Sabina Payawal were the owners of a parcel of land located in San Miguel, Province of Bulacan, the description of which appears in paragraph 2 of the amended complaint. The said parcel of land was covered by TCT No. 28303 issued by the Register of Deeds of Bulacan;
>
> 2.- On March 19, 1974, said registered owners borrowed TWO THOUSAND PESOS (P2,000.00) from Bulacan Development Bank pursuant to a promissory note with Loan No. 3423. The promissory note stipulated that the loan shall be paid on or before March 19, 1975 and the interest shall be 12% per annum; that

the first payment of P1,000.00 shall be due on March 19, 1975, and that the unpaid amortization shall bear interest at the rate of 12% per annum; that in case a litigation is resorted to the borrowers shall pay attorney's fees in addition to the legal expenses;

3.- Present plaintiffs are the children of the spouses Egmidio Maglaque and Sabina Payawal. David Maglaque has a Special Power of Attorney to prosecute the present complaint;

4.- The borrowers failed to pay any of the payment agreed upon in the promissory note and the real estate mortgage due to the untimely death of Sabina Payawal;

5.- On December 22, 1977, a payment of P2,000.00 was made and accepted, which were applied as shown by the Official Receipt No. 7662-8 dated December 22, 1977;

6.- [O]n September 15, 1978, the Provincial Sheriff of Bulacan conducted an extra-judicial foreclosure sale of the property in question in accordance with the specific authority provided for in the Deed of Real Estate Mortgage as authorized by law. The defendant-Bank contends that the formalities provided for by law were duly observed while the plaintiff claims that there was no such compliance. Hence, this will be the subject matter of evidence in Court;

7.- The one year period allowed by law within which the delinquent borrowers should have exercised their right to redeem expired without any redemption by them. Consequently, on March 24, 1980 the bank consolidated its title on the property and became the registered owner of said property under TCT No. T-259923 issued by the Register of Deeds of Bulacan on March 24, 1980;

8.- [On] September 24, 1980, defendant-Bank sold the property to the spouses Angel S. Beltran and Erlinda Beltran in a Deed of Conditional Sale x x x;

9.- The Register of Deeds wrote a letter dated September 8, 1980, informing the bank about a notice of lis pendens. However, the records of the bank show that the letter was received only on November 19, 1981. On March 16, 1984, Spouses Angel Beltran and Erlinda Beltran registered an adverse claim on the property;

10.- The plaintiffs sought the help of prominent persons to arrange the case amicably, namely, Dr. Sabino Santos, Vice-President of Planters Development Bank; Mr. Miguel Sison, Jr. of the Malacañang Assistance Center; and, Minister Blas Ople of the Ministry of Labor and Employment. However, no concrete result came out of these efforts to settle;

11.- The property in question is located behind the parish Church of San Miguel, Bulacan and adjacent to a Municipal Street of said municipality.[6]

Thereafter, the parties submitted Civil Case No. 1189-B for decision.

Meanwhile, on September 24, 1980, the bank sold the property to private respondent spouses Angel and Erlinda Beltran.

Subsequently, the trial court upheld the propriety and validity of the foreclosure of mortgage and dismissed Civil Case No. 1189-B for lack of merit and/or insufficiency of evidence.[7]

On appeal, the Court of Appeals in CA-G.R. CV No. 22489 affirmed the decision of the trial court.[8]

We reviewed on May 18, 1999 Maglaque v. Planters Development Bank and Spouses Beltran, docketed as CA-G.R. CV No. 22489,[9] and we affirmed the Court of Appeals.

Nonetheless, on November 16, 2000 petitioners filed another complaint Civil Case No. 769-M-2000 with the Regional Trial Court of Malolos, Bulacan, Branch 19. This time, the action was for Recovery of Ownership [Accion Reivindicatoria] and Damages with Prayer for Writ of Preliminary Injunction and/or Temporary

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Restraining Order.[10] The trial court dismissed the complaint on the ground of bar by prior judgment.

The trial court's decision was affirmed by the Court of Appeals, and Civil Case No. 769-M-2000 was dismissed as follows,

> WHEREFORE, the appeal is DISMISSED for lack of merit. No costs.
>
> SO ORDERED.[11]

Hence, the instant petition wherein petitioners raise the following issues in their Memorandum:

> - WHETHER OR NOT THE FOUR (4) ELEMENTS OF RES JUDICATA ARE PRESENT IN THE CASE AT BAR[;]
>
> - WHETHER OR NOT THE CASE AT BAR IS COVERED BY RES JUDICATA[;]
>
> - WHETHER OR NOT PETITIONERS ARE ENTITLED TO THE RIGHTS OF FIRST REFUSAL[; AND]
>
> - WHETHER OR NOT PRIVATE RESPONDENTS ARE GUILTY OF FRAUDULENT ACTS PREJUDICIAL TO THE PETITIONERS.[12]

Simply put, we are asked to resolve the following issues: (1) Is the present action barred by res judicata? (2) Are petitioners entitled to first refusal? And (3) Did private respondents commit fraud?

We will now discuss the issues seriatim.

The four elements of res judicata are: (1) the judgment sought to bar the new action must be final; (2) the decision must have been rendered by a court having jurisdiction over the subject matter and the parties; (3) the disposition of the case must be a judgment on the merits; and (4) there must be between the first and second action, identity of parties, subject matter and causes of action.[13]

The presence of the first two elements is undisputed. The third and fourth elements, i.e. the disposition of the case must be a judgment on the merits, and there must be between the first and second action, identity of parties, subject matter, and causes of action, are now at issue.

Petitioners contend that there was no judgment on the merits. Private respondents counter that there was, as evidenced by the decision of the Supreme Court over the same parties involving the same issues.

We agree with private respondents. A judgment is on the merits when it determines the rights and liabilities of the parties based on the ultimate facts as disclosed by the pleadings or issues presented for trial.[14] It is not necessary that there should have been a trial, actual hearing, or arguments on the facts of the case.[15] For as long as the parties had full legal opportunity to be heard on their respective claims and contentions, the judgment is on the merits.[16] A judgment on the merits is one rendered after a determination of which party is right as distinguished from a judgment rendered upon some preliminary or final or merely technical point.[17]

In the present case, the order of dismissal in Civil Case No. 1189-B was issued after the lower court had considered the evidence of both parties. Thus, we hold that the order of dismissal in Civil Case No. 1189-B is a judgment on the merits.

With regard to the fourth element, petitioners state that there is no identity of parties and causes of action.

In their Memorandum, they state,

> In the previous case the defendants were Planters Development Bank and Spouses Angel Beltran and Erlinda Beltran, whereas, in the present case, the defendants are Planters Development Bank, Mr. Angel Beltran,

> Estate of Erlinda C. Beltran and Registry of Deeds for the Province of Bulacan.[18]

To this private respondents counter that regardless of the inclusion of a nominal party, where the basic rudiments of res judicata are present, the case must be dismissed in accordance with the provision of Section 1 (f),[19] Rule 16 of the Revised Rules of Civil Procedure.

We note that only the Registry of Deeds for the Province of Bulacan was added in the enumeration of defendants. In the recent case of Heirs of the Late Faustina Adalid v. Court of Appeals, we held that:

> ...The principle of res judicata may not be evaded by the mere expedient of including an additional party to the first and second action. Only substantial identity is necessary to warrant the application of res judicata. The addition or elimination of some parties does not alter the situation. There is substantial identity of parties when there is a community of interest between a party in the first case and a party in the second case albeit the latter was not impleaded in the first case....[20]

In this case, the Register of Deeds, as a party in the second complaint is of no moment as it is merely a nominal party.[21]

Is there identity of causes of action?

Petitioners state that Civil Case No. 1189-B, Revocation of Sale and Reconveyance of Title with Damages with Prayer for Writ of Preliminary Injunction, was for a revocation of sale, whereas Civil Case No. 769-M-2000, Recovery of Ownership and Damages with Prayer for Writ of Preliminary Injunction and/or Temporary Restraining Order is for accion reivindicatoria, hence, there is no identity of action.

Private respondents contend, however, that in both cases the causes of action are similar which is recovery of ownership. A perusal of the allegations of the second case vis-á-vis the first, shows that in both cases the same reliefs are being prayed for and the issues in the second had been thoroughly ventilated in the first case. Furthermore, the proceedings in the second case, if permitted to continue, would require the production anew of evidence that had been thoroughly weighed and studied by the Regional Trial Court of Malolos, Bulacan, Branch 22, in its Decision in the first case on February 28, 1989.

In several cases, we said that the ultimate test to ascertain identity of action is whether or not the same evidence fully supports and establishes both the present cause of action and the former cause of action.[22] Causes of action are identical when there is an identity in the facts essential to the maintenance of the two actions, or where the same evidence will sustain both actions. If the same facts or evidence can sustain either, the two actions are considered the same, so that the judgment in one is a bar to the other. [23] Here, we hold there is, patently, identity of causes of action.

A party cannot escape the operation of res judicata by simply varying the form of the action or by adopting a different mode of presenting its case.[24] That one case is for revocation of sale and the other for accion reivindicatoria is of no significance. The application of res judicata cannot be subverted merely by a difference in labelling. In fact, res judicata has been applied to cases far more diverse than the hair-splitting distinctions raised by petitioners concerning the instant case. For instance, a case for rendering an accounting of funds was held to preclude a subsequent case for the partition of the same funds and their fruits; a judgment in an action for recovery of damages for property lost was an effective bar to any other action between the same parties for the recovery of the same property or its value.[25] All the more should res judicata be applied in this instance.

Material facts or questions which were in issue in a former action and were there admitted or judicially determined are conclusively settled by a judgment rendered therein and that such facts or questions become res judicata.[26] Here, the resolution of the second complaint hinges on the validity of the foreclosure sale.

Ultimately, the ownership of the contested parcel of land will depend on the propriety of the aforementioned sale. Judgment on this issue of validity has already been rendered and accorded finality as shown by the entry of judgment dated August 16, 1999 in Supreme Court case G.R. No. 109472.[27]

As elucidated in the case of Gallardo-Corro v. Gallardo:

> Nothing is more settled in law than that once a judgment attains finality it thereby becomes immutable and unalterable. It may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land. Just as the losing party has the right to file an appeal within the prescribed period, the winning party also has the correlative right to enjoy the finality of the resolution of his case. The doctrine of finality of judgment is grounded on fundamental considerations of public policy and sound practice, and that, at the risk of occasional errors, the judgments or orders of courts must become final at some definite time fixed by law; otherwise, there would be no end to litigations, thus setting to naught the main role of courts of justice which is to assist in the enforcement of the rule of law and the maintenance of peace and order by settling justiciable controversies with finality.[28]

The case of Heirs of the Late Faustina Adalid enunciates the reason for the rule of res judicata:

> The doctrine of res judicata is a rule which pervades every well-regulated system of jurisprudence and is founded upon two grounds embodied in various maxims of the common law, namely: (1) public policy and necessity, which makes it to the interest of the State that there should be an end to litigation - republicae ut sit litium, and (2) the hardship on the individual that he should be vexed twice for the same cause - nemo debet bis vexari 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 tranquility and happiness.[29]

Indeed, it has been well said that this maxim is more than a mere rule of law, more even than an important principle of public policy, and that it is a fundamental concept in the organization of every jural society, for not only does it ward off endless litigation, it ensures the stability of judgment, and guards against inconsistent decisions on the same set of facts.[30]

The petitioners must not make a mockery of the law by refiling a case whose issues have been conclusively determined with finality by the high Court. We will not breathe life to issues which have been properly resolved in accordance with law. Otherwise, the Pandora's Box that the doctrine of res judicata seeks to contain will be opened. The evils that the doctrine seeks to prevent would be set loose to wreak havoc on the orderliness and efficiency of our justice system.

Anent the second and third issues that the petitioners have pointed out in their Memorandum on whether or not they are entitled to the right of first refusal and whether or not private respondents are guilty of fraudulent acts prejudicial to the petitioners,[31] the parties are bound as to any other admissible matter which might have been offered for that purpose and of all other matters that could have been adjudged in the prior case.[32]

The case of Cruz v. Court of Appeals is also instructive with regard to the abovementioned issues:

> The general rule precluding the relitigation of material facts or questions which were in issue and adjudicated in a former action are commonly applied to all matters essentially connected with the subject matter of the litigation. Thus, it extends to questions necessarily involved in an issue, and necessarily adjudicated or necessarily implied in the final judgment, although no specific finding may have been made in reference thereto, and although such matters were directly referred to in the pleadings and were not actually or formally presented. Under this rule, if the record of the former trial shows that the judgment could not have been rendered without deciding the particular matter, it will be considered as having settled that matter as to all

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> future actions between the parties, and if a judgment necessarily presupposes certain premises, they are as conclusive as the judgment itself. Reasons for the rule are that a judgment is an adjudication on all the matters which are essential to support it, and that every proposition assumed or decided by the court leading up to the final conclusion and upon which such conclusion is based is as effectually passed upon as the ultimate question which is finally solved.[33]

The issues on the right of first refusal and fraud in the sale involve matters essentially connected with the subject matter of litigation; hence, preclusion had set in.

At any rate, aside from being moot and academic, these two issues on whether or not the petitioners are entitled to the right of first refusal and whether or not private respondents are guilty of fraudulent acts prejudicial to the petitioners are questions of fact, hence not subject to the review of this Court.[34]

WHEREFORE, the petition is DENIED for lack of merit. The Decision dated November 18, 2003 of the Court of Appeals in CA-G.R. CV No. 73257 and its Resolution dated April 23, 2004 are AFFIRMED.

Costs against the petitioners.

SO ORDERED.

Carpio, Carpio-Morales, Tinga, and Velasco, Jr., JJ., concur.

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[*] Also spelled as Egmilidio in other parts of the records.

[1] Rollo, pp. 15-20. Penned by Associate Justice Delilah Vidallon-Magtolis, with Associate Justices Jose L. Sabio, Jr. and Hakim S. Abdulwahid concurring.

[2] Id. at 29.

[3] Id. at 34-36. Penned by Judge Renato C. Francisco.

[4] Id. at 54-55.

[5] Id. at 54-58.

[6] Id. at 134-136.

[7] Id. at 113-117.

[8] Id. at 119-129.

[9] Id. at 131-140.

[10] Records, pp. 1-8.

[11] Rollo, p. 20.

[12] Id. at 186.

[13] Taganas v. Emuslan, G.R. No. 146980, September 2, 2003, 410 SCRA 237, 242.

[14] Thompson-Hayward Chemical Company v. Cyprus Mines Corporation, et al., 8 Kan.App.2d 487, 489, 660 P.2d 973, 976.

[15] Mendiola v. CA, 327 Phil. 1156, 1164 (1996).

[16] Id. at 1164-1165.

[17] American Inter-Fashion Corp. v. Office of the President, G.R. No. 92422, May 23, 1991, 197 SCRA 409, 417.

[18] Rollo, p. 189.

[19] SECTION 1. Grounds.-Within the time for but before filing the answer to the complaint or pleading asserting a claim, a motion to dismiss may be made on any of the following grounds:
x x x x

(f) That the cause of action is barred by a prior judgment or by the statute of limitations;

x x x x

[20] G.R. No. 122202, May 26, 2005, 459 SCRA 27, 38-39.

[21] See Heirs of the Late Faustina Adalid v. Court of Appeals, id.

[22] Esperas v. Court of Appeals, G.R. No. 121182, October 2, 2000, 341 SCRA 583, 589.

[23] Heirs of the Late Faustina Adalid v. Court of Appeals, supra at 40.

[24] Barbacina v. Court of Appeals, G.R. No. 135365, August 31, 2004, 437 SCRA 300, 307.

[25] Escareal v. Philippine Airlines, Inc., G.R. No. 151922, April 7, 2005, 455 SCRA 119, 132.

[26] Republic v. Court of Appeals, G.R. No. 103412, February 3, 2000, 324 SCRA 560, 567; J.C. Lopez & Associates, Inc. v. Commission on Audit, G.R. No. 128145, September 5, 2001, 364 SCRA 472, 484.

[27] Rollo, p. 130.

[28] G.R. No. 136228, January 30, 2001, 350 SCRA 568, 578.

[29] Supra note 20, at 41.

[30] Escareal v. Philippine Airlines, Inc., supra at 134.

[31] Rollo, p. 186.

[32] Barbacina v. Court of Appeals, supra at 310.

[33] G.R. No. 135101, May 31, 2000, 332 SCRA 747, 755.

[34] See Guerrero v. Court of Appeals, G.R. No. 118744, January 30, 1998, 285 SCRA 670, 678.

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