PABLO Q. DE LEON AND IGLESIA NI CRISTO, WITH ITS EXECUTIVE MINISTER ERANO G. MANALO, AS CORPORATION SOLE, REPRESENTED BY ITS ATTORNEY-IN-FACT, RESTITUTO S. LAZARO, PETITIONERS, ...

G.R. NO. 169996. August 11, 2006

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This is a petition for review on certiorari of the Decision[1] of the Court of Appeals in CA-G.R. CV No. 69135 dated May 31, 2005, which affirmed in toto the Order[2] of the Regional Trial Court of Bontoc, Mountain Province, Branch 35, dated June 21, 2000 dismissing Civil Case No. 1006 on the ground of res judicata. Also assailed in this petition is the Resolution[3] of the Court of Appeals dated October 4, 2005 denying petitioners' motion for reconsideration.

The following are the antecedent facts:

On February 28, 2000, petitioners Pablo Q. De Leon and Iglesia ni Cristo filed a complaint for declaration of nullity of second deed of sale of same property with damages[4] against respondents Josefina Balinag and spouses Emmanuel and Nellie Diaz before the Regional Trial Court of Bontoc, Mountain Province. The case was docketed as Civil Case No. 1006 and raffled to Branch 35.

Petitioners alleged that on December 26, 1983, Balinag sold to De Leon a parcel of unregistered land described as follows:

> A PARCEL OF LAND situated in the Barrio of Calutitt, Mun. of Bontoc, Mt. Province and bounded on the N., by {Lot 11} 4277 Bontoc site; on the E., by National Road; on the S., by creek and on the W., by Municipal Road and Lot 7-1 {Psu-985} and containing an area of ONE THOUSAND SIX HUNDRED FIFTY TWO {1,652} square meters, more or less, covered by Tax Declaration No. 5576 of the Local Assessor's Office of Bontoc, Mt. Province with an assessed value of Twenty Thousand Pesos (P20,000).[5]

The said land had been leased to petitioners from February 26, 1972 until it was finally sold to De Leon under a Deed of Absolute Sale dated December 26, 1983.[6] Petitioners have been in peaceful possession and enjoyment of the property for more than 10 years and have built thereon a house of worship as well as residential houses for their ministers.

According to petitioners, however, respondent Balinag, in utter bad faith, sold 1,162 square meters of the same property to the respondent spouses Diaz on July 8, 1991.[7] They thus prayed that respondent spouses Diaz be declared buyers in bad faith and the second deed of sale dated July 8, 1991 be declared null and void.

On April 3, 2000, the respondent spouses Diaz filed a motion to dismiss[8] Civil Case No. 1006 on the ground of res judicata. They alleged that petitioners previously filed an action for injunction with damages docketed as Civil Case No. 764 (first action) entitled Pablo De Leon, represented by Isaias L. Llavata v. Spouses Emmanuel and

Nellie Diaz before the Regional Trial Court of Bontoc, Mountain Province, Branch 36.[9] The said case had for its subject the same parcel of land and was founded upon the same Deed of Absolute Sale dated December 26, 1983. Per order dated September 30, 1991, Civil Case No. 764 was dismissed for failure of petitioner De Leon to appear during pre-trial and to prosecute his cause within a reasonable length of time.[10]

Respondents likewise alleged that petitioners had filed another action for quieting of title, declaration of nullity of second deed of sale, recovery of possession, damages with injunction before the Regional Trial Court of Bontoc, Mountain Province docketed as Civil Case No. 795 (second action) and entitled Pablo Q. De Leon, represented by Rodrigo Cadaoas v. Spouses Emmanuel and Nellie Diaz, Josefina Balinag, and Herman A. Lunsad, as Provincial Assessor of Mountain Province.[11] This case, which was raffled to Branch 35 of the same court, involved 1,162 square meters of the same property and was anchored on the same Deed of Absolute Sale dated December 26, 1983. However, the second action was also dismissed on February 12, 1992 on the ground of res judicata since, according to the trial court, the dismissal of the first action amounted to a judgment on the merits.[12]

Respondents also pointed out that the order dismissing the second action was assailed by petitioners through a petition for certiorari filed and docketed as G.R. No. 109556 before the Supreme Court.[13] The petition, which was treated as one filed under Rule 45, was denied on June 14, 1993 for late filing and payment of docket fees[14] and entry of judgment thereon had been made on October 4, 1993.[15]

Moreover, respondent spouses Diaz averred that petitioners have no cause of action against them considering that petitioner Iglesia Ni Kristo's church does not stand within their property but on a parcel of land which belonged to Peter Avelino G. Balinag. In fact, the latter filed Civil Case No. 374 for recovery of possession with damages entitled Peter Avelino Balinag v. Iglesia ni Kristo,[16] which case is now pending before the Municipal Trial Court of Bontoc, Mountain Province. For these reasons, respondents prayed that Civil Case No. 1006 be dismissed.

On June 21, 2000, the trial court issued an order[17] granting respondents' motion to dismiss. The trial court observed that Civil Case No. 1006 was "just a way of varying the form of [petitioners'] action in adopting a different method of presenting it from [the] first and second actions to evade or avoid the application of res judicata in its third action which is the case at bar."[18] It also stressed that the evidence which would support petitioners' cause of action in Civil Case No. 1006 is the same evidence upon which the two prior actions have been based.[19]

Petitioners elevated the matter to the Court of Appeals which, on May 31, 2005, rendered a decision[20] affirming the trial court's order of dismissal in toto. Thus, upon denial of the motion for reconsideration,[21] petitioners took this recourse under Rule 45.

Petitioners insist that the principle of res judicata should not apply in the instant case since there was no judgment on the merits in the two prior actions. They assert that if the rule on res judicata should apply, the same must be applied liberally in the interest of substantial justice.

We find merit in the petition.

The prevailing circumstances of the instant case compel us to suspend the procedural rules in order that the true merits of the parties' claims and defenses may be ventilated in a full-blown trial. Indeed, if viewed purely as a procedural matter, the instant case should be deemed as barred by prior judgment. However, the rule on res judicata may give way to the higher interest of justice, as we now find in the instant case.

We note that the two prior actions which supposedly preclude the present case never reached the trial stage and were in fact dismissed upon motion of respondent spouses Diaz. The first action was dismissed when petitioner

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De Leon was declared non-suited by the trial court, while the second action suffered a similar fate due to res judicata by virtue of the dismissal of the first action. Although petitioner sought to question the dismissal of the second action through a petition filed before the Supreme Court, we dismissed the same on the ground of late filing and payment of docket fees.

However, an examination of the complaints in the first and second actions reveals that the former could not have operated as res judicata on the latter. The first action, which was denominated as one for "Injunction with Restraining Order" is actually a case for forcible entry filed by petitioner De Leon against respondent spouses Diaz. In that case, petitioner De Leon alleged:

> - That way back on December 26, 1983, plaintiff bought a piece of land hereunder described as follows:
>
> x x x x
>
> which property is presently being used for religious worship by the congregation of the Iglesia ni Kristo;
>
> - That the sale of the above-described property is evidenced by a Deed of Absolute Sale of Unregistered Land, a copy of which is hereto attached as Annex "B";
>
> - That on or about February 9, 1991, defendants started constructing a septic tank by digging or excavating within the above-described property some fifteen (15) meters away from the doorstep of the chapel; and despite the protestation of herein plaintiff, pleading with them to desist from performing their illegal acts, said defendants continued digging and as of the preparation of this complaint, the excavation is now about six (6) feet deep and two (2) meters wide; x x x
>
> - That the commission or continuance of the acts complained of would work injustice to the plaintiff;
>
> x x x x[22]

and that consequently, petitioner De Leon prayed for the trial court:

> - To issue a restraining order upon the filing of this complaint;
>
> - To issue a permanent injunctive writ after trial;
>
> - To direct the defendants to remove all the illegal construction they have made on subject property at their own expense;
>
> x x x x[23]

Thus, the first action was filed by petitioner De Leon to restrain the respondent spouses Diaz from disturbing his peaceful possession and occupation of the disputed lot. The deed of sale in favor of petitioner De Leon was mentioned in the complaint only to establish his right of possession over the property, which is ownership by virtue of said deed. No mention was made of the second sale of the same property to the respondent spouses Diaz. Therefore, the first action was a case for forcible entry.

In contrast, the second action filed by petitioner De Leon was one for the declaration of nullity of the second deed of sale. While the second complaint also alleged the acts of forcible entry complained of in the first action, the second complaint basically assailed the legality of said double sale by alleging:

> x x x x
>
> - That on July 8, 1991, defendant Josefina Balinag, in utter bad faith and with malice aforethought, again executed a deed of sale for the same property, or a substantial portion thereof, in favor of defendant-spouses and despite the latter's knowledge of the previous sale and prior occupancy thereof by the plaintiff, allegedly

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> paid P260,000.00 for it x x x.
>
> - That defendant-spouses, even before the sale in question, started harassing the plaintiff by digging the premises some fifteen (15) meters away from the doorsteps of the Iglesia Ni Cristo chapel thereat, erected with the permission of the plaintiff; and lately, after the sale the same defendant-spouses deposited sand and gravel, cement, lumber and other construction materials in order to overrun the premises in question, threatening to dislodge plaintiff and his tenants/agents from their prior possession of the land, despite their vigorous protest.
>
> x x x x[24]

Petitioner De Leon thus prayed in the second action for the trial court:

> - To issue a permanent injunction after trial.
>
> - To declare as null and void and of no effect the second deed of sale executed by defendant Josefina Balinag in favor of herein defendant-spouses.
>
> - onsequently, to uphold the first deed of sale made in favor of plaintiff, declaring him the legitimate owner and legal possessor of the land in dispute.
>
> x x x x[25]

Thus, the second action should not have been dismissed on the ground of res judicata. The cause of action and the relief prayed for in the two cases are not identical although the parties are undoubtedly the same. Moreover, the Regional Trial Court had no jurisdiction over the first action which was a case for forcible entry. Consequently, the dismissal of the first action should not have operated at all as a bar to the second action.

However, in availing of a remedy against the dismissal of the second action, petitioners belatedly filed a petition before the Supreme Court which was dismissed without resolving on the merits. Petitioners thus find themselves now with no recourse except to appeal to our sense of justice and equity.

In Teodoro v. Caragues,[26] we held that it is within the inherent power and discretion of the Court to amend, modify or reconsider a final judgment when it is necessary to accomplish the administration of justice. This is especially true when technicalities have overtaken the resolution of substantial issues, thus preventing the parties from presenting the merits of their respective claims and defenses. Thus, the public policy underlying the principle of res judicata must be considered together with the policy that a party shall not be deprived of a fair adversary proceeding in which to present his case.[27] After all, rules of procedure are intended to promote rather than defeat substantial justice, and should thus not be applied in a very rigid and technical sense.

In the instant case, the issue of alleged double sale of the same property to petitioners and respondent spouses Diaz was never resolved on the merits. The two prior actions were thrown out due to procedural infirmities that had no bearing on the substantive matters raised by the parties. While it would seem that the dismissal of the petition pertaining to the second action should preclude the courts from entertaining petitioners' third action on the principle of res judicata, we could nonetheless disregard the latter, which is a procedural rule, if its application would involve the sacrifice of justice to technicality.

In resolving the present case in petitioners' favor, we note that they have been in possession of the property in question for many years and have built thereon a house of worship as well as residences for their ministers. Petitioners have presented a deed of sale which appears to have been regularly signed by respondent Balinag, as seller, who presumably received substantial consideration for the property. We cannot turn a blind eye to these facts even as, procedurally, petitioners' claim may have been barred. To our mind, it would be more in keeping with the standards of fairness to allow petitioners the opportunity to fully substantiate their claim in a full-blown

trial.

The broader interest of justice as well as the circumstances of the instant case justifies the relaxation of the rule on res judicata. The Court is not precluded from re-examining its own ruling and rectifying errors of judgment if blind and stubborn adherence to res judicata would involve the sacrifice of justice to technicality. This is not the first time that the principle of res judicata has been set aside in favor of substantial justice, which is after all the avowed purpose of all law and jurisprudence.[28] At the very least, therefore, petitioners must be afforded the chance to legitimately prove their claim.

WHEREFORE, the instant petition is GRANTED. The Decision of the Court of Appeals in CA-G.R. CV No. 69135 dated May 31, 2005 which affirmed in toto the Order of the Regional Trial Court of Bontoc, Mountain Province, Branch 35 dismissing Civil Case No. 1006 on the ground of res judicata is REVERSED and SET ASIDE. The trial court is directed to REINSTATE Civil Case No. 1006 for trial on the merits and to RESOLVE the same with dispatch.

SO ORDERED.

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

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[1] Rollo, pp. 53-65. Penned by Associate Justice Josefina Guevara-Salonga and concurred in by Associate Justices Ruben T. Reyes and Fernanda Lampas Peralta.

[2] Id. at 120-124. Penned by Judge Manuel B. Bragado.

[3] Id. at 67.

[4] Records, pp. 1-6.

[5] Id. at 2.

[6] Id. at 8-9.

[7] Id. at 85-86.

[8] Id. at 22-34.

[9] Id. at 40-43.

[10] Id. at 47-49. Penned by Judge Artemio B. Mamero.

[11] Id. at 51-54.

[12] Id. at 55-57. Penned by Judge Dominador B. Buslig.

[13] Id. at 58-74.

[14] Rollo in G.R. No. 109556, p. 98.

[15] Id. at 134.

[16] Records, pp. 11-16.

[17] Rollo, p. 124.

[18] Id. at 122.

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[19] Id.

[20] Rollo, pp. 53-64.

[21] Id. at 67.

[22] Records, pp. 40-41.

[23] Id. at 42.

[24] Id. at 52.

[25] Id. at 53.

[26] G.R. No. 96004, February 21, 1992, 206 SCRA 429.

[27] Id. at 434.

[28] Id. See also De Leon v. Court of Appeals, 422 Phil. 756, 761 (2001).

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