HERNAN C. DALIDA PETITIONER, VS. SPOUSES ELISEO NAGUIT AND ALICIA NAGUIT, RESPONDENTS.

G.R. NO. 170083. June 29, 2007

Ponente: VELASCO, JR., J.

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VELASCO, JR., J.:

This Petition for Review on Certiorari[1] under Rule 45 assails the August 10, 2005 Decision of the Court of Appeals (CA) in CA-G.R. SP No. 88248, which set aside the May 19, 2004 Order of the Quezon City Regional Trial Court (RTC), Branch 90, denying respondents' Urgent Motion to Recall/Quash writ of execution over a compromise agreement; and the November 9, 2004 Order rejecting respondents' Motion for Reconsideration on the earlier Order. The Orders were issued in connection with Civil Case No. Q-03-048 which resulted in a judicially approved compromise agreement and the issuance of a writ of execution.

On April 23, 2003, plaintiffs Astra Builders Enterprises Corporation (Astra), acting through its minority stockholder, petitioner Hernan C. Dalida, and Hernan C. Dalida, also on his behalf, instituted Civil Case No. Q-03-048 for Derivative Suit, for Accounting and/or Receivership, with TRO/Injunction against respondents, Equitable PCI Bank, and three of Astra's clients, Leighton Contractors Asia Limited, Nation Petroleum, and Sumicon Philippines Corporation. The suit was anchored on respondent Eliseo Naguit's unauthorized withdrawal of PhP 38,280,703 in corporate funds while he was president of Astra. Respondent Eliseo Naguit and Equitable PCI Bank were impleaded to account for the withdrawal. It was likewise alleged that there was a great danger that the assets of Astra may be lost unless a receiver is appointed. The TRO/Injunction was based on the compelling need to direct Astra's clients to stop any payment in favor of Astra through respondent Eliseo Naguit.

On June 9, 2003, the parties filed a Compromise Agreement with Joint Motion to Approve Compromise subject to the terms and conditions stated in it. The agreement, among others, asked for the dismissal of Civil Case No. Q-03-048 and pending criminal complaints against respondent Eliseo Naguit. It further provided that petitioner was to transfer upon full payment his twenty-eight (28) shares in Astra. Respondent Eliseo Naguit and Astra, in turn, were to hold themselves jointly and severally liable to pay petitioner a total sum of seven million pesos (PhP 7,000,000) in four (4) installments as payment for the shares. It was approved by the Quezon City RTC in its June 23, 2003 Order. The dispositive portion reads:

> WHEREFORE, judgment is hereby rendered approving the Compromise Agreement quoted above, and making it as the basis of the decision of this Court in this case. The parties are enjoined to strictly comply with the terms and conditions thereof.
>
> SO ORDERED.[2]

On December 12, 2003, the trial court granted petitioner's Motion for Execution. Respondents subsequently filed the aforesaid motions: an Urgent Motion to Recall/Quash Writ of Execution which was denied by the May 19, 2004 Order, and a Motion for Reconsideration later filed by respondents which was likewise denied by the November 9, 2004 Order. These motions alleged that Astra did not yet have funds and could not pay petitioner.

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Respondents elevated the matter to the CA by way of a Petition for Certiorari under Rule 65. In ruling for respondents, the CA stated that "a writ of execution may be refused on equitable grounds."[3] It sustained the assertion of respondents that supervening events and occurrences after the approval of the compromise agreement made it impossible for respondents to comply with the obligation to pay PhP 7 million.[4] Astra's loss of revenues, as a result of the termination by Nation Petroleum of its contract with Astra, was upheld as a supervening event preventing full compliance with the agreement.

Premised on such justification, the CA on August 10, 2005 issued the assailed judgment[5] annulling the challenged May 19 and November 9, 2004 Orders.

On November 2, 2005, petitioner instituted the present petition for review raising the issue of the impropriety of the stay of the execution. Petitioner contends that only for the most compelling reasons may the execution of a judgment based on a compromise agreement be stayed. These reasons, petitioner concludes, are lacking in the instant case.

We find merit in the petition.

As held in a number of cases, the court may stay immediate execution of a judgment where supervening events bring about a material change in the situation of the parties which makes the execution inequitable, or where there is no compelling urgency for the execution because it is not justified by the prevailing circumstances.[6]

However, the reason put forward by respondents is insufficient to merit a stay of execution. Nowhere in the compromise agreement is it stated that the obligation to pay is conditioned upon Astra's receipt of the payment due from its projects with other companies. Respondent Eliseo Naguit cannot renege on his obligation under the agreement by claiming an inability to pay. It would be an anathema to the orderly administration of justice if such an easy excuse is entertained to abrogate a final decision based on a compromise agreement. Neither is there any supervening event which materially and substantially altered the situation of the parties such that execution would be unjust and inequitable. The compromise agreement has the force of law between the parties unless it is void, there is a vice of consent, or there is forgery, or if the terms are so palpably unconscionable,[7] none of which applies in this case.

WHEREFORE, we GRANT the petition and REVERSE and SET ASIDE the August 10, 2005 CA Decision in CA-G.R. SP No. 88248. The questioned May 19, 2004 and November 9, 2004 Orders of the Quezon City RTC, Branch 90 in Civil Case No. Q-03-048 are REINSTATED and AFFIRMED. No costs.

SO ORDERED.

Carpio, Carpio-Morales, and Tinga, JJ., concur.
Quisumbing, (Chairperson), on official leave.

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[1] Rollo, pp. 3-12.

[2] Id. at 120.

[3] Id. at 22; citing San Antonio v. Court of Appeals, 423 Phil. 8 (2001).

[4] Id. at 20.

[5] Id. at 23.

[6] See Laurel v. Abalos, 140 Phil. 532 (1969); and Hualam Construction and Dev't Corp. v. Court of Appeals,

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G.R. No. 85466, October 16, 1992, 214 SCRA 612, 627.

[7] De la Cruz v. Court of Appeals, G.R. No. 151298, November 17, 2004, 442 SCRA 492, 504.

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