SPS. JESUS AND LOLITA MARTIR, PETITIONERS, VS. SPS. RAYMUNDO AND PURA VERANO, RESPONDENTS.

G.R. NO. 170395. July 28, 2006

Ponente: YNARES-SANTIAGO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-170395/

YNARES-SANTIAGO, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court assailing the June 3, 2005 Decision[1] of the Court of Appeals in CA-G.R. CV No. 73181 which reversed and set aside the September 14, 2001 Order[2] of the Regional Trial Court of Bacolod City, Branch 43 dismissing Civil Case No. 11066 for lack of jurisdiction, as well as its October 14, 2005 Resolution[3] denying the Motion for Reconsideration.

The facts of the case are as follows:

On March 18, 1991, petitioners spouses Jesus and Lolita Martir and respondents spouses Raymundo and Pura Verano entered into a Compromise[4] for the purpose of settling Civil Case No. 5045 entitled "Sps. Raymundo and Pura Verano v. Sps. Jesus and Lolita Martir" pending before the Regional Trial Court of Bacolod City, Branch 51.

Under the compromise agreement, petitioners undertook to sell to the Department of Agrarian Reform (DAR) the 10 lots enumerated therein and to use a portion of the proceeds to pay off respondents' loan obligations with the Philippine National Bank (PNB) amounting to P1,145,000 and to secure the release of the mortgaged properties. The remainder of the proceeds will be divided equally between petitioners and respondents.

On March 19, 1991, the Regional Trial Court of Bacolod City, Branch 51 issued an Order[5] approving the compromise agreement and rendering judgment in accordance therewith. The dispositive portion of the Order reads:

> Finding the terms and conditions setforth in the compromise agreement to the mutual benefit of the parties, and not being contrary to law, the contract between them being the law between the parties, nor is it obnoxious to public interest, public morals, public policy, and the law of ethics, the same is hereby approved and judgment is hereby rendered in accordance therewith. The parties are hereby enjoined to faithfully comply each and every obligation entered into as obligated by them in their respective capacities. No other pronouncement as to costs and litigation expenses.
>
> SO ORDERED.

Respondents alleged that petitioners failed to fully comply with their undertaking under the compromise agreement because out of the 10 lots, only four were sold to DAR. As a result, respondents' obligations with PNB ballooned to P4,300,000, thus they were constrained to look for other sources of funds to pay their loan with PNB.

On February 9, 2000, respondents filed a complaint before the Regional Trial Court of Bacolod City against petitioners seeking for the reimbursement of the amounts they paid to the bank minus the proceeds of the sale of the lots to the DAR. The case was docketed as Civil Case No. 11066 and raffled to Branch 43.

In their Answer,[6] petitioners admitted that under the compromise agreement, they undertook to sell the 10 lots to the DAR. However, they encountered resistance from some of respondents' farm laborers hence they were unable to sell the 10 lots. Petitioners also alleged that respondents caused the sale of the remaining lots without their knowledge and consent.

Subsequently, petitioners moved for the dismissal of Civil Case No. 11066 on the ground of lack of jurisdiction considering that it involves an alleged breach of the Compromise Agreement which was approved by Branch 51. Hence, the enforcement of the said compromise agreement should be made before same branch.

Respondents opposed the motion to dismiss claiming that since the judicially approved agreement was actually a motion to dismiss with prejudice, they are left with no other recourse to enforce the same but to file a separate civil action based on the same compromise agreement which is a contract binding between the parties.[7]

On September 14, 2001, the Regional Trial Court of Bacolod City, Branch 43 dismissed Civil Case No. 11066 on the ground of lack of jurisdiction, thus:

> WHEREFORE, finding the nature of the present action one for the enforcement of the compromise approved on March 19, 1991 in Civil Case No. 50[45], then pending before Branch 51 of this Court, jurisdiction for the enforcement thereof continues to rest in that Court which may be availed of by the plaintiff by way of a Motion for Execution, this case is hereby DISMISSED for lack of jurisdiction.
>
> SO ORDERED.[8]

Respondents appealed to the Court of Appeals which reversed and set aside the order of the trial court dismissing the case for lack of jurisdiction, and ordered the court a quo to proceed with the trial of Civil Case No. 11066 and to decide the same on the merits.

Petitioners' motion for reconsideration was denied,[9] hence this petition raising the following issues:

> - WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR OF LAW WHEN IT DID NOT RULE THAT THE COMPLAINT FILED BY HEREIN RESPONDENTS WITH BRANCH 43 OF THE REGIONAL TRIAL COURT REVOLVES AROUND A JUDICIALLY APPROVED COMPROMISE AGREEMENT, HENCE ENFORCEABLE BY A WRIT OF EXECUTION ISSUED BY THE COURT THAT APPROVED THE COMPROMISE AGREEMENT (i.e. BRANCH 51, RTC).
>
> - WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR OF LAW WHEN IT DID NOT RULE THAT A JUDICIALLY APPROVED COMPROMISE AGREEMENT IS RES JUDICATA BETWEEN THE PARTIES, HENCE THE PARTIES CANNOT FILE ANOTHER CASE INVOLVING THE SAME ISSUES.[10]

Petitioners allege that the complaint filed by respondents before Branch 43 basically sought the enforcement of the terms of the compromise agreement. Since the same has been approved by Branch 51, respondents' remedy in case of refusal or failure of a party to abide by the agreement, is to file a motion for issuance of a writ of execution by the same Branch 51 and not by filing another case in court. Citing the case of Denila v. Bellosillo,[11] petitioners argue that once a court acquires jurisdiction over a case, it continues to retain that jurisdiction until the case is finally terminated or complete remedy is granted. Such jurisdiction is not terminated by a decision approving an amicable settlement where the parties assumed that a writ of execution would be issued to enforce the stipulations thereof. Petitioners also aver that the compromise agreement has the effect and authority of res judicata and should not be disturbed except for vices of consent or forgery.

On the other hand, respondents maintain that since Civil Case No. 5045 has been dismissed with prejudice, they can no longer seek the enforcement of the compromise agreement therein other than by way of a separate and

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

independent civil action.

The petition is meritorious.

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and thus avoid litigation or to put an end to one already commenced.[12] Once stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. It has the effect and authority of res judicata, although no execution may issue until it would have received the corresponding approval of the court where the litigation pends and its compliance with the terms of the agreement is thereupon decreed.[13]

In the instant case, the parties executed the Compromise Agreement to put an end to Civil Case No. 5045. On March 19, 1991, the same was approved by Branch 51. Having been approved by a court of law, it has become a judgment which is subject to execution in accordance with the Rules.[14] A judicial compromise may be enforced by a writ of execution.[15] The case was not terminated by the decision approving the amicable settlement. The parties contemplated in the compromise agreement that their undertaking would be faithfully complied, otherwise, a writ of execution would be issued in case of refusal or failure to abide with its terms.[16]

A compromise agreement once approved by final order of the court has the force of res judicata between the parties and should not be disturbed except for vices of consent or forgery. Hence, a decision on a compromise agreement is final and executory; it has the force of law and is conclusive between the parties. It transcends its identity as a mere contract binding only upon the parties thereto, as it becomes a judgment that is subject to execution in accordance with the Rules.[17] Thus, in Dela Rama v. Mendiola,[18] this Court held:

> Even more than a contract which may be enforced by ordinary action for specific performance, the compromise agreement is part and parcel of the judgment, and may therefore be enforced as such by a writ of execution.
>
> Finally, when the terms of an amicable settlement are violated, as in the case at bar, the remedy of the aggrieved party is to move for its execution.

Likewise, Article 2041 of the Civil Code explicitly provides that if one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand.

In the case for reimbursement filed by respondents before the Regional Trial Court of Bacolod City, Branch 43 and docketed as Civil Case No. 11066, it is clear that the filing of the same was caused by the alleged failure on the part of the petitioners to honor their undertaking under the compromise agreement. Allegedly, petitioners were only able to sell four out of the 10 lots to the DAR; consequently, respondents' loan obligations with the PNB continued to incur interests thus forcing them to look for other sources of funds in order to pay off the loan. Thereafter, they sought reimbursement from the petitioners.

Basic is the rule that if a party fails or refuses to abide by a compromise agreement, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand. This rule must be followed.[19] As it is, Branch 43 was without power to relieve respondents from an obligation they had voluntarily assumed, simply because the compromise agreement turned out to be unwise, disastrous or foolish. It had no authority to impose upon the parties a judgment different from or against the terms and conditions of their compromise agreement.[20]

We find no merit in respondents' contention that since Civil Case No. 5045 was dismissed with prejudice by

virtue of the compromise agreement, they can no longer seek its enforcement in the same proceeding; instead they will now have to file a separate action based on the same compromise agreement which, according to respondents, is a mere contract between the parties.

The dismissal with prejudice of Civil Case No. 5045 simply means that the approval of the compromise agreement has the force of res judicata between the parties. The judicially approved compromise agreement transcends its identity as a mere contract binding only upon the parties thereto, as it becomes a judgment that is subject to execution.

WHEREFORE, the petition is GRANTED. The June 3, 2005 Decision of the Court of Appeals in CA-G.R. CV No. 73181 and its October 14, 2005 Resolution are REVERSED and SET ASIDE. The Order of the Regional Trial Court of Bacolod City, Branch 43 dated September 14, 2001 dismissing Civil Case No. 11066 for lack of jurisdiction is REINSTATED.

SO ORDERED.

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

---

[1] Rollo, pp. 36-42. Penned by Associate Justice Pampio A. Abarintos and concurred in by Associate Justices Mercedes Gozo-Dadole and Ramon M. Bato, Jr.

[2] Id. at 34-35. Penned by Judge Philadelpa B. Pagapong-Agraviador.

[3] Id. at 48-49. Penned by Associate Justice Pampio A. Abarintos and concurred in by Associate Justices Vicente L. Yap and Ramon M. Bato, Jr.

[4] Id. at 22-23.

[5] Id. at 31-33. Penned by Judge Bethel Katalbas-Moscardon.

[6] Id. at 28-30.

[7] Id. at 34.

[8] Id. at 35.

[9] Id. at 48-49.

[10] Id. at 12.

[11] No. L-39569, May 16, 1975, 64 SCRA 63, 67.

[12] Armed Forces of the Philippines Mutual Benefit Association, Inc. v. Court of Appeals, G.R. No. 126745, July 26, 1999, 311 SCRA 143, 154.

[13] Id. at 154-155.

[14] Abarintos v. Court of Appeals, 374 Phil. 157, 170 (1999).

[15] Canonizado v. Benitez, 212 Phil. 564, 570 (1984).

[16] See Denila v. Bellosillo, supra note 11.

[17] Manila International Airport Authority (MIAA) v. ALA Industries Corporation, G.R. No. 147349, February 13, 2004, 422 SCRA 603, 610-611.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

[18] G.R. No. 135394, April 29, 2003, 401 SCRA 704, 713.

[19] Choithram Jethmal Ramnani v. Court of Appeals, 413 Phil. 194, 209 (2001); Manila International Airport Authority (MIAA) v. ALA Industries Corporation, supra note 17 at 617.

[20] Id.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.