DMG INDUSTRIES, INC., PETITIONER, VS. THE PHILIPPINE AMERICAN INVESTMENTS CORPORATION, RESPONDENT.

G.R. NO. 174114. July 06, 2007

Ponente: NACHURA, J.

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NACHURA, J.:

In a Resolution dated October 18, 2006, this Court denied the petition for review on certiorari filed by petitioner DMG Industries, Inc. (DMG) of the Decision dated February 28, 2006 and the Resolution dated August 9, 2006 of the Court of Appeals (CA) in CA-G.R. CV No. 69941 for failure to show that the CA committed any reversible error as to warrant the exercise of its discretionary appellate jurisdiction and for raising factual issues improper for a petition for review.

Subsequently, petitioner filed a Motion for Reconsideration of the Resolution dated October 18, 2006. Pending the resolution of the motion for reconsideration, petitioner DMG and respondent The Philippine American Investments Corporation (PAIC) entered, on February 14, 2007, into a compromise settlement agreement. However, on February 26, 2007, we denied with finality the motion for reconsideration.

Before us is the Urgent Joint Motion for Approval of Compromise Settlement Agreement[1] dated February 14, 2007 filed by both parties on March 1, 2007. The Compromise Settlement Agreement reads:

COMPROMISE SETTLEMENT AGREEMENT

> The parties hereto, thru their undersigned respective counsels and with the Plaintiff-Respondent PHILIPPINE AMERICAN INVESTMENTS CORP. (hereinafter referred to as "PAIC" for brevity) represented herein by its Liquidator, Mr. Alberto V. Reyes and the Defendant-Petitioner DMG INDUSTRIES, INC. (hereinafter referred to as "DMG" for brevity) represented herein by its Chairman, Mr. Jose S. Sandejas, to this Honorable Court most respectfully and jointly submit for consideration and approval, the following Compromise Settlement Agreement:
>
> 1.1. Whereas, the dispositive portion of the Decision of the Regional Trial Court in the above-entitled case dated 11 October 2000, reads as follows:
> "WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff or against the defendant. Accordingly, the defendant is ordered to pay plaintiff:
>
> - the sum of P516,797.63 with interest and penalty charges thereon computed in accordance with the parties' Memorandum of Agreement (Exh. A) and the defendant's promissory note (Exh. B) from April 1, 1982 until the principal amount shall have been fully paid;
>
> - a sum equivalent to 25% of the amount in item no. (1) by way of attorney's fees;
>
> - the cost of this suit;
>
> SO ORDERED

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> Makati City, 11 October 2000."

1.2. Whereas, the Decision of the Court of Appeals dated 28 February 2006 in the same case, affirmed this RTC Decision in toto as follows:

> "WHEREFORE, the appealed decision of the Regional Trial Court of Makati City (Branch 62) is AFFIRMED in toto."

1.3. Whereas, the Honorable Supreme Court in turn likewise affirmed the Decision of the Court of Appeals in its Resolution dated 18 October 2006, when the Honorable Court denied the Defendant's Petition for Review on Certiorari as follows:

> "G.R. No. 174114 (DMG Industries, Inc. vs. The Philippine American Investment Corporation) ï¿½ Considering the allegations, issues, and arguments adduced in the petition for review on certiorari of the decision and resolution dated February 28, 2006 and August 9, 2006, respectively, of the Court of Appeals in CA-G.R. CV No. 69941, the Court resolves to DENY the petition for failure of the petitioner to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction. Besides, the issues raised are factual."

1.4. Whereas, the aforequoted Resolution is the subject of a pending Motion for Reconsideration filed by Defendant-Petitioner DMG;

1.5. Whereas, at this point of time, Defendant-Petitioner DMG has offered to amicably settle the above-entitled case for the amount of Two Million Pesos (P2,000,000.00) primarily invoking humanitarian considerations, since the bulk of the monetary award in the aforequoted Decision of the Regional Trial Court a quo consists merely of penalties and corresponding attorney's fees which were substantially increased because of the prolonged litigation period; thereby in effect imposing on Defendant-Petitioner a "penalty" of sort; just for exercising its right to litigate a legally contestable issue, a penalty which is frowned upon by courts of equity as well as by civil society.

1.6. Whereas, considering that the Liquidator of Plaintiff-Respondent PAIC has consistently followed the policy of granting discounts in exchange for the immediate cash settlement of the receivable accounts of Plaintiff-Respondent PAIC on the penalties and attorney's fees charged in such accounts; and considering further, that the foregoing offer of amicable settlement is not contrary to law, morals, good customs, public order and public policy, Plaintiff-Respondent PAIC agrees to the offered amicable settlement of the above-entitled case.

1.7. Now, therefore, for and in consideration of the foregoing premises, and the payment by Defendant-Petitioner DMG of the amount of Two Million Pesos (P2,000,000.00), receipt whereof is hereby acknowledged by Plaintiff-Respondent PAIC as full and complete payment of the obligation of the Defendant-Petitioner DMG to Plaintiff-Respondent PAIC, the parties hereto, hereby agree to settle and jointly and most respectfully move for the immediate dismissal of the above-entitled case, and all claims and counter-claims subject of said case or relative thereto, arising therefrom or in connection therewith.

1.8. The parties hereto hereby represent and warrant that they and their respective signatories have full power and authority to enter into and execute this Compromise Settlement Agreement.

1.9. IN WITNESS WHEREOF, the parties herein, assisted by their respective counsels, hereunto set their hands on this 14[th] day of February 2007, at Pasig and Makati Cities.

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PHILIPPINE AMERICAN INVESTMENTS CORP. DMG INDUSTRIES, INC.

By: By:

(Signed)

MR. ALBERTO V. REYES

Liquidator

(Signed)

MR. JOSE S. SANDEJAS

Chairman

Assisted by: Assisted by:

Yngson & Associates
Counsel for Plaintiff-Respondent Jimenez, Gonzales, Liwanag
Bello, Valdez, Caluya &
Fernandez, JGLaw
Counsel for
Defendant-Petitioner

By: By:

(Signed)

ATTY. MANUEL D. YNGSON, JR.

(Signed)

ATTY. HERMINIO A.

LIWANAG

and

ATTY. ALEX L. PAULINO

Under Article 1306 of the Civil Code of the Philippines, contracting parties may establish such stipulations, clauses, terms, and conditions, as they may deem convenient, provided that they are not contrary to law, morals, good customs, public order, or public policy. A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences thereby putting an end to litigation.[2] Such means of dispute settlement is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[3]

It must be noted that after the petition was denied by the Court on October 18, 2006, a motion for reconsideration was duly filed by the petitioner on December 22, 2006. On February 14, 2006, the parties entered into the Compromise Agreement. On February 26, 2007, unaware that the parties had entered into an agreement, the Court acted upon the motion for reconsideration and denied the same with finality. On March 1, 2007, the Urgent Joint Motion for Approval of the Compromise Settlement Agreement was submitted to the Court. From said

Compromise Agreement, it can be gleaned that it is the clear intention of the parties to amicably settle the case for the consideration of P2,000,000.00, in order to end once and for all the protracted litigation between them, which had been going on since 1982.[4] In fact, full payment of the amount has been made by herein petitioner and acknowledged by the respondent.[5] As compromise agreements are generally favored in law,[6] the Court will not hesitate to respect the wishes of the parties and give way to the Compromise Agreement submitted by the parties. Thus, the Resolution dated February 26, 2007 denying the motion for reconsideration with finality is recalled; and the Compromise Agreement dated February 14, 2007 is admitted.

Finding the above Compromise Settlement Agreement to be validly executed and not contrary to law, morals, good customs, public order, or public policy; we therefore, approve the same.

WHEREFORE, in light of the foregoing, the Resolution of this Court dated February 26, 2007 is RECALLED. The Urgent Joint Motion for Approval of Compromise Agreement dated February 14, 2007 is GRANTED. Judgment is hereby rendered in accordance with said Compromise Agreement. The instant case is DISMISSED. No pronouncement as to costs.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, and Chico-Nazario, JJ., concur.

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[1] Rollo, pp. 101-105.

[2] Xavierville III Homeowners Association, Inc. v. Xavierville II Homeowners Association, Inc., G.R. No. 170092, December 6, 2006; Rivero v. Court of Appeals, G.R. No. 141273, May 17, 2005, 458 SCRA 714, 735; Magbanua v. Uy, G.R. No. 161003, May 6, 2005, 458 SCRA 184, 190; Alonzo v. San Juan, G.R. No. 137549, February 11, 2005, 451 SCRA 45, 58-59.

[3] Philippine National Oil Company-Energy Development Corporation (PNOC-EDC) v. Abella, G.R. No. 153904, January 17, 2005, 448 SCRA 549, 565.

[4] Respondent filed a complaint with the then CFI, Seventh Judicial District of Pasig on August 10, 1982; Rollo, p.43.

[5] Rollo, p. 103.

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

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