

**TALA REALTY SERVICES CORP., INC., PEDRO B. AGUIRRE,
REMEDIOS A. DUPASQUIER, DOLLY LIM, RUBENCITO M. DEL MUNDO
AND ELIZABETH H. PALMA, PETITIONERS, VS. BANCO FILIPINO
SAVINGS & MORTGAGE BANK, INC.**

G.R. No. 181369. June 22, 2016

Ponente: JARDELEZA, J.

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JARDELEZA, J.:

In G.R. No. 188302[1] (2012) and the consolidated cases of G.R. Nos. 130088, 131469, 155171, 155201 and 166608[2] (2009), we applied the rule of stare decisis to deny Banco Filipino's claims for reconveyance of various real properties based on a trust agreement that we previously declared void in G.R. No. 137533[3] (2002). This case raises the question of whether Banco Filipino Savings & Mortgage Bank's (Banco Filipino) complaint for reconveyance in the proceedings below is likewise precluded by stare decisis and conclusiveness of judgment.

I

On September 5, 1995, Banco Filipino filed a complaint[4] with the Regional Trial Court (RTC) of Manila against Tala Realty Services Corporation, Inc. (Tala Realty) and the individual petitioners. This was one of the 17 reconveyance cases instituted by Banco Filipino against Tala Realty covering properties located in different parts of the Philippines.[5]

The complaint alleged that the properties were covered by a trust agreement between Banco Filipino, as trustor-beneficiary, and Tala Realty, as trustee. The trust agreement was essentially a sale and lease-back arrangement wherein Banco Filipino sold various properties to Tala Realty, including the one located in Sta. Cruz, Manila, while the latter concurrently leased to Banco Filipino the same property for a period of 20 years, renewable for another 20 at the option of Banco Filipino.[6] Banco Filipino admitted that the purpose of the trust agreement was to "allow more flexibility in the opening of branches and to enable the bank to acquire new branch [sites]," since at that time, Banco Filipino was concerned about keeping within the 50% capital asset threshold for banks under the General Banking Act.[7] However, sometime in August 1992, Tala Realty claimed the property for itself and threatened to eject Banco Filipino.[8]

Petitioners moved to dismiss[9] the complaint based on the following grounds: forum shopping, lack of cause of action, and *pari delicto*. The RTC initially denied[10] the motion to dismiss but later reversed itself.[11] It ordered the dismissal of the complaint against herein petitioners except Tala Realty and ordered the suspension of the proceedings in view of our decision in G.R. No. 137533.[12] Banco Filipino moved for reconsideration which the RTC denied.[13]

Consequently, Banco Filipino elevated the case to the Court of Appeals (CA) via Rule 65. The CA granted the petition,[14] finding that the RTC should have hypothetically admitted the truth of the factual allegations in the complaint—including the validity of the trust agreement—when it ruled on the motion to dismiss.[15] The CA also

said that the proceedings should not have been suspended because the matter resolved in G.R. No. 137533, which originated from an ejectment suit, is distinct and separate from the subject matter of the case for reconveyance.[16] The CA subsequently denied petitioners' motion for reconsideration.[17]

Hence, this appeal under Rule 45 where petitioners principally claim that Banco Filipino's action for reconveyance is already barred by stare decisis and conclusiveness of judgment considering the en banc decision in G.R. No. 137533, as reiterated in the April 7, 2009 consolidated decision in G.R. Nos. 130088, 131469, 155171, 155201, and 166608[18] and the June 27, 2012 decision in G.R. No. 188302.[19] They also argue that Banco Filipino availed of the wrong remedy when they filed a petition for certiorari with the CA instead of an ordinary appeal. In response,[20] Banco Filipino insists that it availed of the correct mode of review and counters that G.R. No. 137533 cannot apply because it involved an ejectment suit, which is distinct from its action for reconveyance. It cites the final rulings in G.R. Nos. 144700,[21] 130184,[22] 139166,[23] 167255[24] and 144705[25]—which commonly held that the elements of forum shopping, lis pendens and res judicata were not present in Banco Filipino's various reconveyance cases—as the controlling precedents.

II

In resolving this case, the sole determinative issue is whether Banco Filipino can recover the Sta. Cruz property based on the same trust agreement which we declared void in G.R. No. 137533.[26] The issue, however, is not novel and has already been conclusively resolved in both G.R. No. 188302[27] and the consolidated cases of G.R. Nos. 130088, 131469, 155171, 155201, and 166608.[28] The facts of the present case, save for the specific parcel of land being disputed, are identical to those obtaining in these two decisions. Therefore, the doctrines of stare decisis and conclusiveness of judgment warrant the granting of the petition.

A

In G.R. No. 188302[29] and G.R. Nos. 130088, 131469, 155171, 155201, and 166608,[30] we applied and extensively quoted the ruling in G.R. No. 137533[31] that the trust agreement between Banco Filipino and Tala Realty is void and cannot be enforced, thus:

The Bank alleges that the sale and twenty-year lease of the disputed property were part of a larger implied trust "warehousing agreement." Concomitant with this Court's factual finding that the 20-year contract governs the relations between the parties, we find the Bank's allegation of circumstances surrounding its execution worthy of credence; the Bank and Tala entered into contracts of sale and lease back of the disputed property and created an implied trust "warehousing agreement" for the reconveyance of the property. In the eyes of the law, however, this implied trust is inexistent and void for being contrary to law.

x x x

An implied trust could not have been formed between the Bank and Tala as this Court has held that "where the purchase is made in violation of an existing statute and in evasion of its express provision, no trust can result in favor of the party who is guilty of the fraud." x x x

x x x [T]he Bank cannot use the defense of nor seek enforcement of its alleged implied trust with Tala since its purpose was contrary to law. As admitted by the Bank, it "warehoused" its branch site holdings to Tala to enable it to pursue its expansion program and purchase new branch sites including its main branch in Makati, and at the same time avoid the real property holdings limit under Sections 25(a) and 34 of the General Banking Act which it had already reached. x x x

Clearly, the Bank was well aware of the limitations on its real estate holdings under the General Banking Act and that its "warehousing agreement" with Tala was a scheme to circumvent the limitation. Thus, the Bank

opted not to put the agreement in writing and call a spade a spade, but instead phrased its right to reconveyance of the subject property at any time as a "first preference to buy" at the "same transfer price." This arrangement which the Bank claims to be an implied trust is contrary to law. Thus, while we find the sale and lease of the subject property genuine and binding upon the parties, we cannot enforce the implied trust even assuming the parties intended to create it. In the words of the Court in the Ramos case, "the courts will not assist the payor in achieving his improper purpose by enforcing a resultant trust for him in accordance with the 'clean hands' doctrine." The Bank cannot thus demand reconveyance of the property based on its alleged implied trust relationship with Tala.

x x x

The Bank and Tala are in part delicto, thus, no affirmative relief should be given to one against the other. The Bank should not be allowed to dispute the sale of its lands to Tala nor should Tala be allowed to further collect rent from the Bank. The clean hands doctrine will not allow the creation or the use of a juridical relation such as a trust to subvert, directly or indirectly, the law. Neither the Bank nor Tala came to court with clean hands; neither will obtain relief from the court as one who seeks equity and justice must come to court with clean hands.[32] (Citations omitted; emphases supplied.)

In both cases, we applied the time-honored principle of *stare decisis et non quieta movere*, which literally means "to adhere to precedents, and not to unsettle things which are established," to settle the issue of whether Banco Filipino can recover the properties subject of the void trust agreement. The rule of *stare decisis* is a bar to any attempt to re-litigate the same issue where the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court.[33] Thus, the Court's ruling in G.R. No. 137533[34] regarding the nullity of the trust agreement—the very same agreement which Banco Filipino seeks to enforce in the proceedings *a quo*—applies with full force to the present case. Consequently, Banco Filipino's action for reconveyance of the Sta. Cruz property based on the void trust agreement cannot prosper and must be dismissed for lack of cause of action.

It is the Court's duty to follow the precedents laid down in G.R. No. 137533,[35] G.R. No. 188302[36] and G.R. Nos. 130088, 131469, 155171, 155201 and 166608.[37] The doctrine of *stare decisis* is one of policy grounded on the necessity for securing certainty and stability of judicial decisions. As well stated by Justice Cardozo in his book, *The Nature of the Judicial Process*:

x x x It will not do to decide the same question one way between one set of litigants and the opposite way between another. "If a group of cases involves the same point, the parties expect the same decision. It would be a gross injustice to decide alternate cases on opposite principles. If a case was decided against me yesterday when I was defendant, I shall look for the same judgment today if I am plaintiff. To decide differently would raise a feeling of resentment and wrong in my breast; it would be an infringement, material and moral, of my rights." x x x Adherence to precedent must then be the rule rather than the exception if litigants are to have faith in the even-handed administration of justice in the courts.[38] (Emphasis supplied.)

B

In addition to the principle of *stare decisis*, the doctrine of collusiveness of judgment, otherwise known as "preclusion of issues" or "collateral estoppel,"[39] bars the re-litigation of Banco Filipino's claim based on the void trust agreement. This concept is embodied in the third paragraph of Rule 39, Section 47 of the Rules of Civil Procedure:

Section 47. Effect of judgments or final orders.—The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

x x x

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto. (Emphasis supplied.)

Conclusiveness of judgment is a species of res judicata and it applies where there is identity of parties in the first and second cases, but there is no identity of causes of action.[40] Any right, fact, or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which judgment is rendered on the merits is conclusively settled by the judgment therein, and cannot again be litigated between the parties and their privies whether or not the claim, demand, purpose, or subject matter of the two actions is the same.[41] Thus, if a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit. Identity of cause of action is not required but merely identity of issue.[42]

In this case, the rule on conclusiveness of judgment is squarely applicable because Banco Filipino's action for reconveyance is solely based on a trust agreement which, it cannot be overemphasized, has long been declared void in a previous action that involved both Tala Realty and Banco Filipino, i.e., G.R. No. 137533. In other words, the question on the validity of the trust agreement has been finally and conclusively settled. Hence, this question cannot be raised again even in a different proceeding involving the same parties. Although the action instituted in this case is one for reconveyance, which is technically different from the ejectment suit originally instituted by Tala Realty in G.R. No. 137533, "the concept of conclusiveness of judgment still applies because under this principle, the identity of causes of action is not required but merely identity of issues. Simply put, conclusiveness of judgment bars the relitigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action." [43]

Banco Filipino cannot rely on G.R. Nos. 144700,[44] 130184,[45] 139166,[46] 167255[47] and 144705.[48] In these cases, we ruled that Banco Filipino did not violate the rule against forum shopping when it filed separate cases for reconveyance in different trial courts. These rulings were based on the Court's finding that the elements of litis pendentia and res judicata were not present. However, the concept of res judicata referred to in these cases is the one commonly understood as "bar by prior judgment," which is enunciated in Rule 39, Section 47(b).[49] Bar by prior judgment is the traditional formulation of res judicata, which requires the identity of parties, subject matter, and causes of action.[50] It is this concept which is used in determining whether litis pendentia or forum shopping exists. In contrast, and as previously discussed, res judicata as conclusiveness of judgment requires only identity of parties and of issues. These two kinds of res judicata are legally distinct.

Accordingly, under the doctrine of res judicata as bar by prior judgment, Banco Filipino could not be prevented from filing separate actions for reconveyance because each action involved a different subject matter, i.e., a different parcel of land. Nonetheless, res judicata as conclusiveness of judgment would still apply to these different cases, as it does here, insofar as they involve material facts or questions which were in issue and which have been adjudicated in a former action.

WHEREFORE, the petition is GRANTED. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 89155 are REVERSED and SET ASIDE. Civil Case No. 95-75214 before Branch 47 of the Regional Trial Court of Manila is DISMISSED.

SO ORDERED.

Velasco, Jr., (Chairperson), Peralta, Perez, and Reyes, JJ., concur.

July 14, 2016

NOTICE OF JUDGMENT

Sirs / Mesdames:

Please take notice that on June 22, 2016 a Decision, copy attached hereto, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on July 14, 2016 at 10:35 a.m.

Very truly yours,
(SGD)WILFREDO V. LAPITAN
Division Clerk of Court

- [1] Ty v. Banco Filipino Savings and Mortgage Bank, June 27, 2012, 675 SCRA 339.
- [2] Tala Realty Services Corporation v. Court of Appeals, April 7, 2009, 584 SCRA 63.
- [3] Tala Realty Services Corporation v. Banco Filipino Savings & Mortgage Bank, November 22, 2002, 392 SCRA 506.
- [4] Rollo, pp. 100-115.
- [5] Id. at 20-22.
- [6] Id. at 105-109.
- [7] Id. at 104-105. See Republic Act No. 337, Sections 25 (a) and 34 (now Section 51 of R.A. No. 8791 or the General Banking Law of 2000).
- [8] Id. at 109.
- [9] Id. at 401-416.
- [10] Id. at 417.
- [11] Id. at 461-463.
- [12] Supra note 3.
- [13] Rollo, pp. 461-463.
- [14] Id. at 72-83. Penned by J. Guevara-Salonga, with whom Roxas and Garcia JJ. concurred.
- [15] Id. at 81-82.
- [16] Id. at 82-83.
- [17] Id. at 86-88.
- [18] Supra note 2.
- [19] Supra note 1.

[20] Rollo, pp. 567-601.

[21] Tala Realty Services Corporation v. Banco Filipino Savings & Mortgage Bank, Resolution, November 22, 2000, cited in Ty v. Banco Filipino & Mortgage Bank, Resolution, G.R. No. 144705, June 5, 2006.

[22] Tala Realty Services Corporation v. Banco Filipino Savings & Mortgage Bank, Resolution November 19, 2001.

[23] Ty v. Banco Filipino & Mortgage Bank, Resolution, G.R. No. 144705, June 5, 2006.

[24] Tala Realty Services Corporation v. Banco Filipino Savings & Mortgage Bank, Resolution, June 8, 2005 cited in Ty v. Banco Filipino Savings & Mortgage Bank, *supra*.

[25] Ty v. Banco Filipino Savings & Mortgage Bank, November 15, 2005, 475 SCRA 65.

[26] *Supra* note 3.

[27] *Supra* note 1.

[28] *Supra* note 2.

[29] *Supra* note 1.

[30] *Supra* note 2.

[31] *Supra* note 3.

[32] *Supra* note 3 at 533-540.

[33] Chinese Young Men's Christian Association of the Philippine Islands v. Remington Steel Corporation, G.R. No. 159422, March 28, 2008, 550 SCRA 180, 197-198; Pepsi Cola Products (Phils.), Inc. v. Espiritu, G.R. No. 150394, June 26, 2007, 525 SCRA 527, 534.

[34] *Supra* note 3.

[35] *Supra* note 3.

[36] *Supra* note 1.

[37] *Supra* note 2.

[38] Cardozo, B. N., THE NATURE OF THE JUDICIAL PROCESS, pp. 33-34.

[39] Tan v. Court of Appeals, G.R. No. 142401, August 20, 2001, 363 SCRA 444, 450.

[40] Social Security Commission v. Rizal Poultry and Livestock Association, Inc., G.R. No. 167050, June 1, 2011, 650 SCRA 50, 57.

[41] Layos v. Fil-Estate Golf and Development, Inc., G.R. No. 150470, August 6, 2008, 561 SCRA 75, 105-106 citing Oropeza Marketing Corporation v. Allied Banking Corporation, G.R. No. 129788, December 3, 2002, 393 SCRA 278, 287.

[42] Layos v. Fil-Estate Golf and Development, Inc., *supra* at 104 citing Calalang v. Register of Deeds of Quezon City, G.R. Nos. 76265 & 83280, March 11, 1994, 231 SCRA 88.

[43] Tan v. Court of Appeals, *supra*.

[44] *Supra* note 21.

[45] Supra note 22.

[46] Supra note 23.

[47] Supra note 24.

[48] Supra note 25.

[49] In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been missed in relation thereto, conclusive between the parties and their successors in interest, by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity.

[50] Layos v. Fil-Estate Golf and Development, Inc., supra at 105.

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