

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE
PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT,
PETITIONERS, VS. LEGAL HEIRS OF JOSE L. AFRICA, RESPONDENTS.**

G.R. No. 205722. August 19, 2015

Ponente: PERLAS-BERNABE, J.

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PERLAS-BERNABE, J.:

Before the Court is a petition for review on certiorari[1] assailing the Resolution[2] dated February 4, 2013 of the Sandiganbayan (SB) in Civil Case No. 0034, which dropped Jose L. Africa (Africa), the predecessor-in-interest of respondents Legal Heirs of Jose L. Africa (respondents), as defendant in the complaint for reconveyance, reversion, accounting, restitution, and damages filed by petitioner Republic of the Philippines (Republic), through the Presidential Commission on Good Government (PCGG).

The Facts

On July 31, 1987, the PCGG filed a complaint[3] for reconveyance, reversion, accounting, restitution, and damages before the SB against Ferdinand and Imelda Marcos, Roberto S. Benedicto (Benedicto), Hector T. Rivera, Julita Benedicto, Lourdes Rivera, Miguel V. Gonzalez, Pag-Asa San Agustin, Bennet Thelmo, Exequiel B. Africa, Rocio R. Torres,[4] Marciano Benedicto, Romulo Benedicto, Zacarias Amante, Francisca C. Benedicto, Jose Montalvo, Jesus Martinez, Nestor Mata, Alberto Velez, Richard de Leon, Zapiro Tanpinco, Leopoldo Vergara, Dominador Pangilinan, Rodolfo Arambulo, Rafael Sison, Placido Mapa, Jr., Cesar C. Zalamea, Don M. Ferry, Jose R. Tengco, Jr., Ramon Monzon, Generosa C. Olazo, Cynthia Cheong, Ma. Luisa E. Nograles, and Africa (defendants), docketed as Civil Case No. 0034.[5] The PCGG alleged that the defendants, in collaboration with each other, siphoned funds from the national treasury to unjustly enrich themselves and the Marcoses.[6] With respect to Africa, the PCGG alleged that he collaborated with Benedicto and several of the defendants in acting as conduits of the pilfered funds by laundering the same using the banking facilities of Traders Royal Bank (TRB), of which Africa was the Chairman of the Board of Directors, before remitting them to the Marcoses.[7]

On August 20, 1987, the complaint was amended[8] to implead Roman Cruz, Jr. as defendant.[9] Thereafter, or on November 3, 1990, the PCGG, through its Chairman, David M. Castro, entered into a Compromise Agreement[10] with Benedicto where the latter undertook to cede to the government properties listed in Annex "A"[11] thereof and transfer to the government whatever rights he may have in the assets of the corporations listed in Annex "B"[12] thereof.[13]

For its part, the PCGG agreed to lift the sequestration orders over the properties listed in Annex "C"[14] of the Compromise Agreement, as well as the other assets mentioned therein, namely, "the other sequestered assets that belong to Benedicto and/or his corporations/nominees which are not listed in Annex 'A' as ceded or to be ceded to the government." [15] It also agreed to extend absolute immunity to Benedicto, the members of his family, and the officers and employees of the listed corporations such that no criminal investigation or prosecution would be undertaken against them for acts or omissions prior to February 25, 1986.[16] Among others, the Compromise

Agreement explicitly stated that it "covers the remaining claims and cases of the Philippine Government against [Benedicto,] including his associates and nominees, namely: Julita C. Benedicto, Hector T. Rivera, Lourdes V. Rivera, Miguel V. Gonzales,[17] Pag-Asa San Agustin (Deceased), Rocio B. Torres, Marciano Benedicto (Deceased), Romulo Benedicto, Francisca C. Benedicto, Richard de Leon, Jose Montalvo, Jesus Martinez, Nestor Mata, Alberto Velez, Zafiro Tanpinco, Dominador Pangilinan (Deceased), Mariano del Mundo and Zacarias Amante." [18] Notably, some of the defendants, including Africa, were not named therein.

On November 22, 1990, the PCGG and Benedicto filed a Joint Motion to Approve Compromise Agreement,[19] which was opposed by the Solicitor General and the plaintiff-intervenors, ABS-CBN,[20] CBNI,[21] and MBS,[22] on the ground that the same was against the interest of the Filipinos.[23] In a Resolution[24] promulgated on October 2, 1992, the SB approved the Compromise Agreement and rendered judgment in accordance with its terms. On September 10, 1993, this Court in *Republic of the Philippines v. Sandiganbayan*[25] upheld the validity of the Compromise Agreement and ordered the parties to strictly comply with the terms thereof.

On February 23, 1996, respondents filed a motion[26] seeking the dismissal of the case against Africa, who had since died. Respondents asserted that Africa, who was then merely the Chairman of TRB, should be exonerated since his supposed conspirators had been exonerated by virtue of the Compromise Agreement.

The SB Ruling

In a Resolution[27] promulgated on March 21, 1997, the SB granted respondents' motion and dismissed the case against Africa and his heirs. It ruled that the acts complained of constituted a quasi-delict or tort and the solidary obligation therefor had been extinguished when the Compromise Agreement was executed.[28]

The PCGG moved for reconsideration,[29] which was granted by the SB in a Resolution[30] promulgated on July 30, 1999. Accordingly, the March 21, 1997 Resolution was set aside and the case against Africa was reinstated. The SB ruled that there was no stipulation in the Compromise Agreement that clearly and deliberately conferred benefits to Africa, unlike the other defendants who were specifically named therein.[31] It added too that the action is not only for the recovery of wealth illegally acquired by Benedicto, but also for the reconveyance of unexplained wealth of the other defendants, including Africa.[32]

Undaunted, respondents filed a motion for reconsideration,[33] seeking the reinstatement of the March 21, 1997 Resolution. On February 4, 2013, the SB issued the assailed Resolution,[34] which granted the motion and dropped Africa and his heirs, the respondents herein, as defendants in the case; hence, this petition.

The Issue Before the Court

The lone issue for the Court's resolution is whether or not Africa and his heirs, the respondents herein, may benefit from the Compromise Agreement entered into between PCGG and Benedicto.

The Court's Ruling

I.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.[35] The cardinal rule in the interpretation of contracts such as compromise agreements is that "if the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control." [36]

In this case, the SB ruled that although the Compromise Agreement did not expressly include the name of Africa,

a benefit was conferred in his favor, considering the absolute immunity under the agreement extended to the officers and employees of Benedicto's corporations (Benedicto corporations), one of which is the TRB wherein Africa was the Chairman of the Board of Directors.[37]

The SB's conclusion is untenable.

For a stipulation pour autrui to be appreciated, it is indispensable that there be a stipulation deliberately conferring a benefit or favor to a third person. Article 1311 of the Civil Code states:

Art. 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation, or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.

In *Limitless Potentials, Inc. v. Quilala*,[38] the Court laid down the requisites of a stipulation pour autrui, namely: (1) there is a stipulation in favor of a third person; (2) the stipulation is a part, not the whole, of the contract; (3) the contracting parties clearly and deliberately conferred a favor to the third person — the favor is not an incidental benefit; (4) the favor is unconditional and uncompensated; (5) the third person communicated his or her acceptance of the favor before its revocation; and (6) the contracting parties do not represent, or are not authorized by, the third party.[39]

The Court has carefully and thoroughly perused the Compromise Agreement and found no stipulation at all that would even resemble a provision in favor of Africa or the respondents. On the contrary, what is obvious and glaring is the absence of any provision clearly and deliberately extending the benefits of the Compromise Agreement to them. In fact, the second whereas clause named only the following defendants as additional beneficiaries of the Compromise Agreement, viz.:

WHEREAS, this Compromise Agreement covers the remaining claims and cases of the Philippine Government against [Benedicto,] including his associates and nominees, namely: Julita C. Benedicto, Hector T. Rivera, Lourdes V. Rivera, Miguel V. Gonzales, Pag-Asa San Agustin (Deceased), Rocio B. Torres, Marciano Benedicto (Deceased), Romulo Benedicto, Francisca C. Benedicto, Richard de Leon, Jose Montalvo, Jesus Martinez, Nestor Mata, Alberto Velez, Zafiro Tanpinco, Dominador Pangilinan (Deceased), Mariano del Mundo[,] and Zacarias Amante.[40]

Moreover, contrary to the SB's conclusion, the clause "[t]he Government hereby extends absolute immunity, x x x, to x x x, officers and employees of his corporations [abovementioned], who are included in past, present[,] and future cases and investigations of the Philippine Government," found in Item II (b)[41] of the Compromise Agreement does not give a blanket protection to all officers and employees of the Benedicto corporations.

The word "abovementioned" should be interpreted to refer to the "officers and employees" enumerated in the second whereas clause of the Compromise Agreement and not to the Benedicto corporations, considering that the list of the Benedicto corporations is found only in the annexes to, and not in, the Compromise Agreement itself. Note too that the phrase "officers and employees of his corporations abovementioned" is followed by the word "who," which strengthens the view that the immunity was accorded on an individual basis and not solely on the basis of affiliation with the Benedicto corporations.

Even assuming that the qualifier "abovementioned" refers to all the Benedicto corporations, the SB's conclusion

that Africa should be dropped as defendant because Hector Rivera and Romulo Benedicto, who were similarly alleged to be officers of TRB, were dropped as defendants,[42] lacks legal and factual support. As aptly pointed out by the PCGG, Leopoldo Vergara, who was also an official of TRB, was not mentioned in the second whereas clause and was not dropped as defendant.[43]

Further, the Compromise Agreement, taken in the context of the allegations in the Amended Complaint, shows that the parties thereto deliberately excluded some defendants from its benefits even if other defendants who were similarly situated benefited therefrom. For instance, Francisca C. Benedicto, Jose Montalvo, Zapiro Tanpinco, Ramon Monzon, Ma. Luisa E. Nogralas, Cynthia Cheong, and Generosa C. Olazo were impleaded in relation to the appropriation of the income and revenues of the ABS-CBN.[44] However, only Francisca C. Benedicto, Jose Montalvo, and Zapiro Tanpinco were included as beneficiaries to the Compromise Agreement[45] and dropped as defendants.[46] Ramon Monzon, Ma. Luisa E. Nogralas, Cynthia Cheong, and Generosa C. Olazo were not dropped as defendants.

Similarly, relative to the transfer of the interest of the Development Bank of the Philippines in Holiday Inn Hotel, Manila to the New Riviera Hotel Development Co., Inc.,[47] only Alberto Velez was exonerated from the charges. The action against Cesar C. Zalamea and Don M. Ferry subsisted even if they were similarly charged.[48] Likewise, Exequiel Garcia, who was impleaded for his participation in the highly irregular contract in favor of Integral Factors Corporation,[49] was not released from liability even if Hector Rivera, Miguel H. Gonzalez, Rocio Torres, and Alberto Velez, who were similarly charged, were granted immunity by virtue of the Compromise Agreement[50] and were dropped as defendants.[51] Lastly, Rodolfo Arambulo, who was impleaded in relation to his participation in the establishment of California Overseas Bank,[52] did not benefit from the Compromise Agreement. On the other hand, Miguel V. Gonzalez and Pag-Asa San Agustin, who were similarly charged, have been exonerated from liability by virtue of the Compromise Agreement and the Joint Motion to Approve Compromise Agreement.[53]

The foregoing circumstances established that the parties to the Compromise Agreement deliberately excluded[54] some defendants from its benefits, while including others. The Court cannot, therefore, agree with the SB's conclusion that Africa should also benefit from the Compromise Agreement merely because other defendants who were similarly alleged to be officers of TRB benefited from it. The absence of Africa's name from the list of the added beneficiaries could only mean that he was deliberately excluded from it.

Other related provisions in the Compromise Agreement further negate the existence of a stipulation pour autrui in Africa's favor. As earlier adverted to, Item II (b) of the Compromise Agreement shows that the absolute immunity extends only to the officers and employees of the Benedicto corporations who were explicitly named therein, viz.:

II. Lifting of Sequestrations; Extension of Absolute Immunity and Recognition of the Freedom to Travel:

x x x x

b).

The Government hereby extends absolute immunity, as authorized under the pertinent provisions of Executive Orders Nos. 1, 2, 14[,] and 14-A, to Benedicto, the members of his family, officers and employees of his corporations [abovementioned], who are included in the past, present and future cases and investigations of the Philippine Government, such that there shall be no criminal investigation or prosecution against said persons for acts, omissions committed prior to February 25, 1986 that may be alleged to have violated any penal law, including but not limited to Republic Act No. 3019, in relation to the acquisition of any asset treated, mentioned or included in this Agreement.[55]

Meanwhile, Item III (a) of the Compromise Agreement stipulates that only "Benedicto and/or the nominees mentioned above" shall be covered by the Joint Motion to Drop to be filed by the parties thereto, thus:

III. Mechanics for the Implementation of the Settlement:

a).

Parties herein shall file Joint Motion to Drop Mr. Roberto S. Benedicto and/or the nominees mentioned above based on cessions of sequestered properties in the following Sandiganbayan Cases:

- Civil Case No. 34
(Benedicto assets/group of companies)

- Civil Case No. 9
(Telecommunications companies)

- Civil Case No. 24
(Phil-Asia and PIMECO)[56]

Finally, Item III (c) states:

III. Mechanics for the Implementation of the Settlement:

x x x x

c).

Nothing said herein shall preclude any private person from initiating or prosecuting any case to enforce any claimed right in his/her favour against Benedicto and/or his associates and nominees herein mentioned for any cause whatsoever.[57]

Given the foregoing considerations, the Court is hard-pressed to rule against a finding of a stipulation pour autrui in favor of Africa. The Compromise Agreement, taken in its entirety, belies any intention of the parties to include Africa as one of its beneficiaries. Considering that Africa was neither a party nor one of the intended beneficiaries of the Compromise Agreement, and absent any stipulations pour autrui in his favor, the rule on relativity of contracts, i.e., that only the parties thereto and their privies acquire rights and assume obligations thereunder, prevails.[58] No rule is more settled than that the parties' intent is "embodied in the writing itself, and when the words are clear and unambiguous the intent is to be discovered only from the express language of the agreement." [59]

II.

On another front, the SB held in its February 4, 2013 Resolution that the defendants' liability, being solidary, had been extinguished by the execution of the Compromise Agreement, pursuant to Article 1217 of the Civil Code which provides that "[p]ayment made by one of the solidary debtors extinguishes the obligation."

The Court disagrees with the SB.

While it has been established that the defendants' liability in Civil Case No. 0034 is solidary as it arose from a crime,[60] Article 1216 of the Civil Code gives the creditor the right to proceed against any one of the solidary debtors or some or all of them simultaneously and the demand made against one of them shall not be an obstacle to those which may subsequently be directed against the others, so long as the debt has not been fully collected. In

this case, respondents have not shown that the judgment based on the Compromise Agreement had been fully satisfied; on the other hand, according to the PCGG, the execution of the Compromise Agreement is subject to suits which are still pending before the SB.[61]

In fact, the Memorandum of Understanding[62] entered into by the PCGG, TRB, and Benedicto in connection with the turnover of P151,645,000.00 worth of bank deposits to the Republic, through the PCGG, as part of the assets to be ceded under Annex "A" of the Compromise Agreement,[63] shows that portions of the Compromise Agreement would be implemented on a staggered basis.[64] Without proof that the Compromise Agreement had been fully implemented and in light of the PCGG's unequivocal assertion to the contrary,[65] respondents' argument that the obligation had been extinguished must fail.

Besides, even on the assumption that the Compromise Agreement had been fully implemented, respondents have not shown that the same operates to extinguish the entirety of the PCGG's claim. At best, the aggregate amount which had been paid to the PCGG by virtue of the Compromise Agreement would only be deducted from its total claim for recovery of ill-gotten wealth and damages. Such total claim does not even appear in the Amended Complaint and hence, one incapable of pecuniary estimation which is still subject to the SB's factual determination. Therefore, the Court cannot jump to the conclusion that there was a complete extinguishment of the solidary obligation under the context of Article 1217 of the Civil Code.

Relatedly, respondents neither argued nor showed that the causes of action against the defendants are the same and that they are all indispensable parties as to benefit from the dismissal of a case as a result of the Compromise Agreement. It is settled that for a defendant to benefit from the compromise agreement executed between the plaintiff and the other defendants, it must be established that: (1) the plaintiff alleged a common cause of action against the defendants; and (2) all the defendants are indispensable parties to the case. This was the crux of the Court's ruling in *Imson v. Court of Appeals*,[66] viz.:

In sum, *Lim Tanhu* states that where a complaint alleges a common cause of action against defendants who are all indispensable parties to the case, its dismissal against any of them by virtue of a compromise agreement with the plaintiff necessarily results in the dismissal of the case against the other defendants, including those in default. The ruling is rooted on the rationale that the court's power to act in a case involving a common cause of action against indispensable parties is integral and cannot be split such that it cannot relieve any of them and at the same time render judgment against the rest. (Emphasis supplied)

In fine, the Court finds that the SB erred in ordering the dismissal of the case against Africa, the latter not being a beneficiary to the Compromise Agreement, and absent any showing that a common cause of action existed against all the defendants or that Africa is an indispensable party to the case that would entitle him and his heirs, the respondents herein, to benefit from the Compromise Agreement.

WHEREFORE, premises considered, the petition is GRANTED. The Resolution dated February 4, 2013 of the Sandiganbayan in Civil Case No. 0034 is hereby REVERSED and SET ASIDE. The Sandiganbayan is ordered to REINSTATE Jose L. Africa and/or respondents Legal Heirs of Jose L. Africa as defendants in Civil Case No. 0034.

SO ORDERED.

Sereno, C.J., Leonardo-De Castro, Bersamin, and Perez, JJ., concur.

[1] Rollo, pp. 9-25.

- [2] Id. at 29-41. Penned by Chairperson Teresita V. Diaz-Baldos with Associate Justices Napoleon E. Inoturan and Oscar C. Herrera, Jr. concurring.
- [3] Not attached to the rollo.
- [4] "Rocio B. Torres" in some parts of the records (see rollo, p. 1). As to Exequiel B. Africa, in the amended complaint, his surname was written as "Garcia" (see id. at 46 and 52).
- [5] Id. at 46.
- [6] Id. at 47.
- [7] Id. at 12 and 73-74.
- [8] See Amended Complaint dated August 12, 1987; id. at 46-85.
- [9] Id. at 12.
- [10] Id. at 86-92.
- [11] Id. at 93-94.
- [12] Id. 95.
- [13] Id. at 88.
- [14] Id. at 96.
- [15] Id. at 89.
- [16] Id. at 89-90.
- [17] "Miguel H. Gonzalez" or "Miguel V. Gonzalez" in some parts of the records.
- [18] Rollo, p. 86.
- [19] Id. at 107-110.
- [20] "Alto Broadcasting System - Chronicle Broadcasting Network."
- [21] "Chronicle Broadcasting Network, Inc."
- [22] "Maharlika Broadcasting System."
- [23] Rollo, pp. 111-112, 124-125, and 127.
- [24] Dated October 2, 1992, penned by Associate Justice Romeo M. Escareal with Associate Justices Augusto M. Amores and Gabino R. De Leon, Jr. concurring. Id. at 111-177.
- [25] G.R. Nos. 108292, 108368, 108548-49, and 108550, September 10, 1993, 226 SCRA 314.
- [26] See Motion to Dismiss or Exclude from the Case dated February 23, 1996; id. at 178-181.
- [27] Dated March 20, 1997, penned by Associate Justice and Chairman Jose S. Balajadia with Associate Justices Roberto M. Lagman and Edilberto G. Sandoval concurring. Id. at 183-191.
- [28] Id. at 189.
- [29] See Motion for Reconsideration dated April 24, 1997; id. at 192-194.

[30] Dated July 14, 1999, penned by Associate Justice Godofredo L. Legaspi with Associate Justices Edilberto G. Sandoval and (retired Supreme Court Justice) Minita V. Chico-Nazario concurring. Id. at 195-201.

[31] Id. at 196-197.

[32] Id. at 197.

[33] Dated August 20, 1999. Id. at 204-212.

[34] Id. at 29-41.

[35] Article 2028, New Civil Code.

[36] Article 1370, New Civil Code.

[37] See rollo, pp. 35-36.

[38] 502 Phil, 160 (2005).

[39] See id. at 180.

[40] Rollo, p. 86.

[41]

b).

The Government hereby extends absolute immunity, as authorized under the pertinent provisions of Executive Orders Nos. 1, 2, 14[,] and 14-A, to Benedicto, the members of his family, officers and employees of his corporations [abovementioned], who are included in the past, present and future cases and investigations of the Philippine Government, such that there shall be no criminal investigation or prosecution against said persons for acts, omissions committed prior to February 25, 1986 that may be alleged to have violated any penal law, including but not limited to Republic Act No. 3019, in relation to the acquisition of any asset treated, mentioned or included in this Agreement. Id. at 89-90.

[42] Id. at 20.

[43] Id. at 290.

[44] Id. at 70.

[45] See id. at 86.

[46] Id. at 108.

[47] Id. at 70.

[48] Id. at 108.

[49] Id. at 72.

[50] Id. at 86.

[51] Id. at 108.

[52] Id. at 75.

[53] Id. at 108.

[54] Likewise, the other defenedants, namely: Ferdinand and Imelda Marcos, Bennet Thelmo, Exequiel B. Garcia, Rafael Sison, Placido Mapa, Jr., Cesar C. Zalamea, Don M. Ferry, Jose R. Tengco, Jr., Ramon Monzon, Generosa C. Olazo, Cynthia Cheong, Ma. Luisa E. Nograles, and Roman Cruz, Jr., were not included among the beneficiaries.

[55] Id. at 88-90; emphases supplied.

[56] Id. at 90; emphasis supplied.

[57] Id. at 91; emphasis supplied.

[58] Uy Tarn v. Leonard, 30 Phil. 471, 474 (1915). See also Philippine National Bank v. Dee, G.R. No. 182128, February 19, 2014, 717 SCRA 14, 22.

[59] Benguet Corporation v. Cabildo, 585 Phil. 23, 34 (2008), citing Abad v. Goldloop Properties, Inc., 549 Phil. 641, 654 (2007).

[60] Executive Order No. 1, 2, 14, 14-A, series of 1986.

[61] Rollo, pp. 21-22.

[62] Dated November 3, 1990. Id. at 98-100.

[63] Id. at 94.

[64] Id. at 99.

[65] See Id. at 296.

[66] See G.R. No. 106436, December 8, 1994, 239 SCRA 58, citing Tanhu v. Ramolete, 160 Phil. 1101, 1128 (1975).

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