

SANTIAGO ESCARTE, JR., ERNESTO VILLANUEVA, FELIXBERTO VILLANUEVA, AND LOURDES VILLANUEVA, PETITIONERS, VS. OFFICE OF THE PRESIDENT OF THE PHILIPPINES AND TEODORO MEDINA, RESPOND...

G.R. No. 58668. December 04, 1990

Ponente: MEDIALDEA, J.

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MEDIALDEA, J.:

This is a petition for review on certiorari (treated as a petition for certiorari) seeking the reversal of the decision of public respondent Office of the President of the Philippines dated May 12, 1980, in O.P. Case No. 1442 entitled, "Teodoro Medina, Protestant vs. Santiago Escarte, et al., Protestees" and its resolution dated October 23, 1981, denying the motion for reconsideration.

The antecedent facts are as follows:

The subject lot (Lot 3, Block 2) and an adjoining lot (Lot 1-A) in Sande Estate, Tondo, Manila, form a single parcel of land owned by the Philippine Realty Company. Constructed thereon was a 6-door accessoria owned pro-indiviso by Lucio Javellonar and Jerusalem Gingco. On October 31, 1940, these lots, together with other lots comprising the Sande Estate, were expropriated by the government pursuant to the provisions of Commonwealth Act No. 539 for re-sale at reasonable prices to their bona fide tenants, occupants, or private individuals.*

On the same date, Gingco sold to Santiago Escarte, Sr. his undivided one-half interest, rights and participation over the accessoria. Sometime in April, 1953, Escarte, Sr. and Javellonar divided the accessoria between themselves. The 3-door portion of the accessoria constructed on Lot 1-A was adjudicated in favor of Javellonar and the rest to Escarte, Sr.

In November, 1954, Escarte, Sr. filed an application to purchase the subject lot with the Bureau of Lands. On January 3, 1955, the Bureau of Lands executed a contract to sell in favor of Escarte, Sr. Later, the jurisdiction over the disposition and acquisition of landed estate was transferred to the Land Tenure Administration (LTA). A proposed deed of sale dated July 10, 1962 was prepared by the LTA. It was signed by Escarte, Sr., but not by the LTA Administrator who, instead, cancelled it. On April 3, 1963, Escarte, Sr. died without a deed of sale over the subject lot having been executed anew by the LTA Administrator.

Sometime in 1965, one unit of the 3-door accessoria on the subject lot was leased to private respondent Teodoro Medina. Meanwhile, on August 23, 1965, the heirs of Escarte, Sr. executed an extra-judicial partition of his estate. A supplemental partition on June 8, 1966 included the subject lot and its improvements, which were adjudicated solely in favor of petitioner Santiago Escarte, Jr., represented by his judicial guardian, Remedios Escarte Pantaleon.

In November, 1967, the Land Authority, which took over the functions of the LTA, executed final Deed of Sale No. 4918 in favor of Escarte, Jr. On November 10, 1967, a new title (TCT No. 90685) was accordingly issued in

favor of Escarte, Jr. by the Register of Deeds of Manila.

Sometime in December, 1970, Pantaleon, in her capacity as judicial guardian of Escarte, Jr., filed a petition for authority to sell the subject lot before the Juvenile and Domestic Relations Court of Manila, where the guardianship proceeding was pending. The petition was granted by the court. On January 29, 1971, Pantaleon requested the consent of the Land Authority to the proposed sale of the subject lot. On February 1, 1971, the Land Authority's permit to transfer the subject lot in favor of the children of Francisco Villanueva, namely, petitioners Ernesto, Felixberto and Lourdes, was issued.

On February 18, 1971, Escarte, Jr., through Pantaleon, sold the subject lot to the Villanuevas. On March 2, 1971, a new title (TCT No. 103617) was issued by the Register of Deeds.

On April 26, 1971, Medina filed a protest which was originally instituted before the Land Authority. Upon the transfer of the functions of the Land Authority to the Department of Agrarian Reform, Medina filed an amended protest, seeking the cancellation of the contract of sale over the subject lot executed by the Land Authority in favor of Escarte, Jr., as well as the deed of sale over the same lot in favor of the Villanuevas and prayed for the sale of the lot to himself. Thereafter, the records of the case were transferred to the National Housing Authority (NHA) pursuant to the provisions of Presidential Decree No. 757. On December 14, 1978, the NHA resolved to dismiss the protest, rationalizing, inter alia, as follows (p. 58, Rollo):

"We find the contention of the protestant that he had a preferential right to purchase the property to be untenable. By his own admission and as found out by the Court of First Instance of Manila in its decision in Civil Case No. 83215, and also by the Court of First Instance of Rizal, Quezon City Branch, in its decision in Civil Case No. Q-15952, the protestant was merely a lessee of a unit or one door of the accessoria. Therefore, he could not be considered as a bona fide tenant or occupant of the lot as contemplated in Commonwealth Act No. 539."

Medina appealed to the Office of the President. On May 12, 1980, the said Office rendered its decision, the dispositive portion of which, reads (p. 40, Rollo):

"WHEREFORE, this Office hereby (a) sets aside the resolution of the National Housing Authority, dated December 14, 1978; (b) cancels the deed of sale over Lot 3, Block 2, Sande Estate, Tondo, Manila, executed by the Land Tenure Administration in favor of Santiago Escarte, Jr., as well as the authority granted by the Land Authority for the sale of said lot to Ernesto, Lourdes and Felixberto, all surnamed Villanueva; (c) orders the institution of appropriate court proceedings for the cancellation of the transfer certificates of title thereon in the names of Santiago Escarte, Jr. and Ernesto, Lourdes and Felixberto, all surnamed Villanueva; and (d) awards said lot to Teodoro D. Medina.

"SO ORDERED."

On October 23, 1981, the motion for reconsideration filed by petitioners was denied for lack of merit. Hence, the present petition.

The main issue is who is entitled to the subject lot. There are several grounds alleged by petitioners in support of this petition, but one will suffice to dispose thereof, that is, the principle of res judicata.

Petitioners submit that Medina's status relative to the subject lot had since been settled by final court pronouncements, namely, Civil Case No. 83215 of the Court of First Instance of Manila and Civil Case No. Q-15952 of the Court of First Instance of Rizal, which held that he is not a bona fide tenant or occupant thereof. Therefore, he is now barred from being considered as such and not legally entitled to challenge petitioners' titles much less be entitled to the award, on the basis of res judicata (pp. 20-24, Brief for Petitioners; p. 242, Rollo).

On the other hand, Medina contends that Civil Case No. 83215 has no applicability: 1) as subsequent proceedings thereafter took place investigating the illegal issuance of title to petitioners; 2) the issue of illegal issuance of title was not raised therein; 3) there was no trial on the merits because the case was decided on a motion to dismiss; 4) there was no formal presentation or reception of evidence; and 5) an order, not a decision, was issued by the trial court (pp. 68- 69, Reply Brief for Private Respondent; p. 248, Rollo).

Agreeing with Medina, the respondent Office said (p. 38, Rollo):

"On the claim of res judicata by the protestees, this Office finds this untenable. Even if there were court decisions, which there was none, raising the point squarely x x x."

We sustain petitioners. It was grave abuse of discretion on the part of respondent Office when it ruled in favor of Medina, in complete disregard of the principle of res judicata. Under this principle, an existing final judgment or decree rendered upon the merits, by a court of competent jurisdiction, upon a matter within its jurisdiction, is conclusive of the rights of the parties and those in privity with them, in all other actions or suits in the same or any other tribunal not only on the points and matters in issue in the first suit, but as to any other issues which might have been raised therein for the purpose of the claim.

In Civil Case No. 83215 (pp. 85-89, Rollo), Medina and a certain Pio Hipolito filed a complaint against Remedios Pantaleon, et al. assailing the right to the title to the subject property and claiming a better right thereto. On August 31, 1971, the trial court dismissed the complaint. According to it (pp. 88-89, Rollo):

"x x x:

"1. When plaintiff Medina leased one of the doors of the accessoria from INCOMPETENT ESCARTE through his guardian, defendant Remedios Pantaleon, he recognized that the ownership of the leased premises pertained to the lessor. In *Zobel vs. Mercado*, 108 Phil. 240, 242-3, the following was said:

'Moreover, since defendant entered into a contract of lease with plaintiff over the portion of land in question and said contract was found by the trial court to be valid and binding, it is clear that defendant is now prevented from denying the title of appellee over said portion pursuant to the provisions of Section 68 (b), Rule 123, of the Rules of Court. As this Court well observed:

'The defendants by attorning to him and becoming his tenants are estopped from disputing his title and his right to such possession upon the termination of the lease. The defendants' failure to pay the rent gave the plaintiff the right to terminate the lease and oust them from their possession and before the defendants can dispute his title and right to possession, they must first surrender to him the possession of the land. (*Alderete v. Amandoron*, 46 Phil. 488, 491) (italics supplied).'

"Neither should the lessee in this case be allowed to assail the title of the VILLANUEVA CHILDREN which was derived from INCOMPETENT ESCARTE.

"2. Plaintiff Medina who became the lessee of one of the doors of the accessoria in 1965, cannot be deemed a bona fide tenant, or a bona fide occupant, within the meaning of Section 15 of LTA Order No. 5, which reads:

'Section 15. - Definition of Bona-Fide Tenant; Bona-Fide Occupant - For the purpose of these rules and regulations, and more specifically of the succeeding section, a bona fide tenant in a land acquired by the government is one who occupies or actually possesses a certain area thereof by virtue of an express or implied contract of tenancy had with the former owner of the land from whom it was acquired by the government and continuous (sic) to be a tenant of the said area at the time he files his application to purchase the same or a portion thereof. A bona fide occupant in a land acquired by the government is one who, not being a registered tenant, occupies in good faith a certain area thereof at the time for the acquisition of said land by the government, or one

who has been in continuous occupation of said area for at least two (2) years immediately prior to the said acquisition by the government and had cultivated the same during said period of time and/or had introduced improvements thereon for which he had paid taxes to the government; and continues to be an occupant of the said area at the time he files his application to purchase the same or a portion thereof.'

"In the first place, he is only a lessee of a door in an accessoria belonging to the bona fide tenant. In the second place, even if he were not a lessee, he was not a tenant or an occupant of the PROPERTY at the time the PROPERTY was acquired by the Government.

"As a lessee, plaintiff Medina has the obligation to return the demised premises after the expiration of the lease. If plaintiff Medina had complied with the demand to vacate made on him by the VILLANUEVA CHILDREN, he would instantly lose all semblance of 'occupancy'. The Court cannot concede that he has any right at all to be the original grantee of the Government, in respect of the PROPERTY, nor to have a right to have the present title transferred to him under the theory of trust."

Medina questioned the dismissal of the complaint before this Court by way of a petition for review on certiorari, which was denied for lack of merit on September 17, 1971 (p. 91, Rollo). An entry of judgment was made on October 19, 1971 (p. 92, Rollo). Certainly, this ruling constitutes an absolute bar to the present case: a) it was final; b) it was a judgment on the merits; c) it was rendered by a court having jurisdiction over the subject matter and the parties; and d) there is, between the first and the present actions, identity of parties, subject matter and cause of action.

While We agree with Medina that in Civil Case No. 83215, there was no trial on the merits because the case was decided on a motion to dismiss, there was no formal presentation or reception of evidence and an order, not a decision, was issued by the trial court, still, the ruling was a judgment on the merits. As a technical legal term, "merits" has been defined in law dictionaries as matter of substance in law, as distinguished from matter of form, and as the real or substantial grounds of action or defense, in contradistinction to some technical or collateral matter raised in the course of the suit. A judgment is upon the merits when it amounts to a declaration of the law as to the respective rights and duties of the parties, based upon the ultimate fact or state of facts disclosed by the pleadings and evidence, and upon which the right of recovery depends, irrespective of formal, technical or dilatory objections or contentions (Vicente J. Francisco, Revised Rules of Court, Volume II, pp. 841-842).

The principle of res judicata is an old axiom of the law, dictated by wisdom and sanctified by age, and is founded on the broad principle that it is to the interest of the public that there should be an end to litigation by the same parties and their privies over a subject once fully and fairly adjudicated. Indeed, the very object of instituting courts of justice is that litigation should be decided, and decided finally, for human life is not long enough to allow of matters once disposed of being brought under discussion again (Fernandez v. Sebido, et al., 70 Phil. 151).

The order in Civil Case No. Q-15952 (pp. 93-95, Rollo) which likewise held that Medina was not a bona fide tenant or occupant of the subject lot cannot be said to constitute res judicata to the present case because there is no identity of parties. The complaint therein was filed by Medina against the Land Authority Governor.

ACCORDINGLY, the petition is hereby GRANTED. The decision of the Office of the President dated May 12, 1980 and its resolution dated October 23, 1981 are SET ASIDE. The resolution of the National Housing Authority dated December 14, 1978 is REINSTATED.

SO ORDERED.

Narvasa, (Chairman), Cruz, Gancayco, and Grino-Aquino, JJ., concur.

* Section 1 of said Act provides: "The President of the Philippines is authorized to acquire private lands o???? any interest therein, through purchase or expropriation, and to subdivide the same into home lots or small farms for resale at reasonable prices and under such conditions as he may fix to their bona fide tenants or occupants or to private individuals who will work the lands themselves and who are qualified to acquire and own lands in the Philippines."

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