

FILINVEST CREDIT CORPORATION, PETITIONER, VS. INTERMEDIATE APPELLATE COURT AND JOVITO Z. MANAOG, RESPONDENTS.

G.R. No. 66641. March 06, 1992

Ponente: MEDIALDEA, J.

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MEDIALDEA, J.:

This is a petition for review on certiorari of the decision of the respondent appellate court (now Court of Appeals) affirming the decision of the trial court which awarded damages to private respondent arising from the alleged wrongful execution of a final judgment.

The antecedent facts of the case are as follows:

On April 24, 1975, petitioner Filinvest Credit Corporation (Filinvest for brevity) filed a complaint with the Court of First Instance of Manila (now Regional Trial Court) against respondent Jovito Manaog and a certain John Doe, for replevin and/or recovery of sum of money representing arrearages in the payment of two airconditioners bought by respondent Manaog from Heritage Mercantile Corporation. The latter as vendor assigned the contract of "sale with reservation of title" to petitioner Filinvest. The contract of sale provided among others for a down payment in the amount of P2,100.00 by respondent Manaog upon execution of the contract and the balance in installments of P538.00 each month; and that the failure of respondent Manaog to pay two installments will make the whole obligation due and demandable.

Because respondent Manaog failed to pay the monthly amortization, petitioner Filinvest sent letters of demand to respondent Manaog demanding payment. The latter did not respond however to any of the demands, thus, prompting petitioner Filinvest to file the aforementioned complaint. Respondent filed his answer and counterclaim to the complaint alleging that the airconditioners are defective (p. 39, Rollo) On October 3, 1975, the date of the scheduled hearing, respondent Manaog failed to appear. Hence, petitioner was allowed to present its evidence ex-parte.

On November 25, 1975, the trial court rendered a decision in favor of the petitioner and dismissed respondent Manaog's counterclaim. The trial court subsequently issued a writ of execution which was duly served upon respondent Manaog. By virtue of the said writ of execution, a sale by public auction was conducted by the sheriff on October 5, 1977 and a return thereof was made on October 27, 1977.

On November 11, 1977, respondent Manaog filed a motion to suspend execution of judgment, which was granted by the trial court. It appears however that the sale at public auction had already been conducted.

On April 28, 1978, respondent Manaog filed a complaint before the Court of First Instance (CFI) of Rizal (now Regional Trial Court) for damages alleging that the judgment which was made the basis of the execution was wrong because the airconditioning units subject of the contract of sale were not in fact delivered, and hence, respondent Manaog was not indebted to petitioner.

After trial, the CFI of Rizal rendered its decision, in favor of respondent Manaog, the dispositive portion of which states:

"Premises considered, it is the finding of this Court that the defendant acted in utmost bad faith, and utilized all means within its control to harass, humiliate and embarrass the plaintiff. The preponderance of evidence supports the claim of plaintiff and the court finds the defendant liable for having acted high handedly and in bad faith. The Court hereby sentences the defendant to pay the plaintiff the amount of P10,099.00 with interest thereon at the rate of 14%, starting September 24, 1977 until fully paid; to pay plaintiff the amount of P20,000.00 as exemplary damages and to pay plaintiff attorney's fees in the amount of P5,000.00 as well as costs of suit.

"SO ORDERED." (p. 38, Rollo)

Not satisfied with the decision of the trial court, petitioner Filinvest appealed to the Court of Appeals. On January 16, 1984, the Court of Appeals rendered a decision which affirmed in toto the ruling of the trial court.

Hence this petition was filed with the petitioner assigning the following errors:

"a. The Honorable Intermediate Appellate Court gravely abused its discretion in not holding private respondent a joint fraud-feasor even when the facts clearly show him to be so;

"b. The Honorable Intermediate Appellate Court erred in not holding that private respondent had no cause of action against petitioners;

"c. The Honorable Intermediate Appellate Court erred in reopening the question of delivery as private respondent admitted delivery before the City Court of Manila; further such issue is barred by prior judgment;

"d. The Honorable Intermediate Appellate Court erred in not holding that the lower court had no jurisdiction over the subject of the action as the complaint is in reality a collateral attack upon;

1) a final judgment of a court of competent jurisdiction; and

2) a writ of execution validly issued by a Court of competent jurisdiction;

"e. The Honorable Intermediate Appellate Court erred in allowing private respondent recovery even when it conceded the latter's gross negligence in the protection of his alleged rights;

"f. The Honorable Intermediate Appellate Court erred in applying the principle of abuse of right in the instant case;

"g. The Honorable Intermediate Appellate Court erred in not holding the third-party defendant Badere liable to Petitioner for indemnification or reimbursement of what the latter was ordered to pay private respondent." (pp. 7-8 Rollo)

The assigned errors boil down to the basic issue of whether or not the losing party may file an action for damages based on the same facts and issues involved in the first action where judgment rendered therein had become final and had been fully executed.

Petitioner contends that although respondent Manaog's complaint is one for damages arising from the wrongful execution of the judgment in Civil Case No. 242126 filed by petitioner for recovery of sum of money, the subject of the action for damages is in reality, the validity of the judgment in the said civil case which should be properly attacked in a direct action to annul judgment. It also contends that the question of delivery, which was already settled in Civil Case No. 242126 cannot be reopened by respondent Manaog in his action for damages; that if it were true that no delivery was made to respondent Manaog, the latter should have disclosed this fact when Civil

Case No. 242126 for sum of money was filed against him.

We find the petition impressed with merit.

Section 49 of Rule 39 of the Rules of Court, as amended, provides:

"Sec. 49. Effect of Judgment. The effect of a judgment or final order rendered by a court or judge of the Philippines, having jurisdiction to pronounce the judgment or order may be as follows:

"x x x.

"b) In other cases the judgment or order is, with respect to the matter directly adjudged or as to any other matter that could have been raised 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;

"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 which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto." (emphasis ours)

The aforequoted legal provision contains the fundamental principles of res judicata, finality of judgment and estoppel by judgment which are interchangeable in meaning. They embody the same rule that once a judgment has become final and executory, the issues therein should be laid at rest.

The doctrine of res judicata has two aspects. The first is the effect of a judgment as a bar to the prosecution of a second action upon the same claim, demand or cause of action. The second aspect is that it precludes relitigation of a particular fact or issues in another action between the same parties on a different claim or cause of action (Lopez v. Reyes, G.R. No. L-29498, March 31, 1977, 76 SCRA 179). Thus, a party by varying the form of action or method of case presentation cannot escape the effect of the principle of res judicata nor can a party avoid an estoppel of a former judgment by bringing forward in a second action new or additional grounds in support of his case or defense or new arguments to sustain it, the facts remaining the same at least where such additional matter could have been pleaded and adjudicated in the prior action.

It is worthy to note that the complaint filed by petitioner Filinvest against respondent Manaog in Civil Case No. 242126 was for recovery of sum of money representing unpaid monthly installments for two airconditioning units bought by respondent Manaog. The latter filed an answer, as shown by the facts of the case, alleging that the airconditioning units are defective. Respondent Manaog did not however raise as defense the non-delivery of the said units. In fact, respondent Manaog did not present any evidence for his defense to prove non-delivery. When the trial court rendered judgment in favor of petitioner Filinvest, respondent Manaog allowed the judgment to become final and executory and the execution thereof be fully enforced before disclosing certain facts which should have been raised and proven during the hearing of the case. Hence, he is now precluded from claiming in a subsequent action for damages that the judgment against him was erroneous because he did not receive the airconditioning units from petitioner.

If respondent Manaog was not satisfied with the judgment of the trial court, he should have appealed the case to the Court of Appeals within the reglementary period of fifteen days after receipt of the decision before the judgment of the trial court becomes final and executory. However, if the judgment had become final and executory, there are only three ways under the law by which said judgment may be questioned: 1) by petition for relief 2) by direct action to annul and enjoin the enforcement of the judgment where the alleged defect is not apparent on its face or from the recitals contained in the judgment, and 3) by direct action, as certiorari, or by a collateral attack against the challenged judgment which is void upon its face or that the nullity of the judgment is

apparent from its own recitals (*People v. Pareja*, G.R. No. 59979, August 30, 1990, 189 SCRA 143). Respondent Manaog's action for damages which was founded on the alleged wrong judgment of the trial court in Civil Case No. 242126 does not fall within any of the ways enumerated above. Although the action was titled as one for damages, respondent Manaog, was in effect, alleging the nullity of the judgment against him as being without factual basis, which is the reason why he sought damages before the trial court. This is a collateral attack upon a final judgment which cannot be done if the said judgment is valid and regular upon its face, as in the case at bar.

In view of the foregoing, We find that the respondent appellate court committed reversible error in affirming the ruling of the trial court which disregarded the final judgment in Civil Case No. 242126 as a bar to a relitigation in a subsequent action of the facts and issues raised therein. Reasons of public policy, judicial orderliness, economy and judicial time and interest of litigants as well as the peace and order of society all require that stability be accorded the solemn and final judgments of the courts or tribunals of competent jurisdiction (*Lee Bun Ting, et al. v. Aligaen, et al.*, G.R. No. L-30523, April 22, 1977, 76 SCRA 416).

ACCORDINGLY, the petition is GRANTED and the assailed decision of the Court of Appeals dated January 16, 1984 is REVERSED and SET ASIDE.

SO ORDERED.

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

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