

VICTORIA C. GO AND EPIFANIO GO, PETITIONERS, VS. HONORABLE INTERMEDIATE APPELLATE COURT (FIRST CIVIL CASES DIVISION), SPOUSES EUGENIO DE VERA AND ELENA HERMOSA, RESPONDENTS.

G.R. NO. 73707. March 12, 1990

Ponente: FERNAN, C.J.

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FERNAN, C.J.:

This is a petition for review of the then Intermediate Appellate Court's decision dated July 18, 1985 which reversed that of the trial court and ordered petitioners Victoria Go and Epifanio Go to allow the repurchase by private respondents Eugenio de Vera and Elena Hermosa of the disputed homestead.

The subject homestead is a farmlot with an area of 59,644 square meters located in the sitio of Labo, Katangawan, General Santos City, Cotabato. It was awarded to private respondent Eugenio de Vera on February 3, 1961 by virtue of Free Patent No. 159589, on which basis Original Certificate of Title No. V-14126 was issued in his name.[1]

In an absolute deed of sale executed on March 27, 1972, the de Vera spouses conveyed the farmlot to petitioner Victoria Go for P33,000.[2] However, three years later, or on August 5, 1975, the spouses instituted an action in the then Court of First Instance of South Cotabato, Branch I (General Santos City) for the repurchase of the homestead pursuant to Section 119 of the Public Land Act by reason of Mrs. Go's refusal to allow reconveyance to the original homesteaders.[3]

Mrs. Go, joined by her husband, moved for the dismissal of the complaint on the ground of res judicata or bar by prior judgment. They contended that the De Veras had previously filed a similar case[4] on May 10, 1972 for the repurchase of the same property against the same vendees. That case was terminated by a compromise agreement and amicable settlement executed by the parties on May 15, 1972 which the trial court subsequently approved and adopted as its decision in said action on June 3, 1972.[5] In that agreement, the de Vera couple agreed to drop the complaint in exchange for the consideration of P1,000.00 as full settlement of the repurchase case.

In their opposition to the motion to dismiss, the De Vera spouses contended that from the time they sold the property to Mrs. Go in 1972 until they filed Civil Case No. 1574, they had never instituted a similar case for the recovery of their homestead. They denied having solicited the services of Atty. Mirabueno and averred that the only occasion they met with him was on March 27, 1972 when they conveyed the disputed property to Mrs. Go. They maintained that the signatures appearing on the verification to the complainant on the compromise agreement were not their signatures and if they were, the same had been obtained through fraud and misrepresentation.[6]

Finding that the ground for dismissal was not indubitable, the trial court proceeded with the hearing. On July 30, 1976, it ruled for the vendees (the Gos) and dismissed the complaint for repurchase.[7]

The De Veras elevated their case to the Appellate Court which on July 18, 1985 reversed the trial court and

ordered the reconveyance of the homestead to them upon their return of the sum of P33,000 to the Gos, without interest, the fruits of the land to equitably compensate for the interest on the price. The vendees were to forfeit the value of the necessary improvements introduced by them, if any.[8]

The main argument raised by Mrs. Go in the present petition is that the De Vera's action on August 5, 1975 for the repurchase of their homestead is barred by *res judicata*. We hold otherwise and therefore affirm the assailed ruling but not for the reasons cited by the Appellate Court. We are disturbed by certain circumstances in this case which indicate a pattern of deceit designed to frustrate the salutary purpose of the Public Land Act on the grantee's right to repurchase. These very same circumstances impel us to conclude that *res judicata* is not possible since the compromise agreement which served as the basis for the June 3, 1972 judgment is void.

The following can be gathered from the records: On March 27, 1972, the De Veras sold their five-hectare agricultural land to Mrs. Go for P33,000.00 payable in two installments. Atty. Narciso N. Mirabueno, Mrs. Go's counsel, notarized the deed of absolute sale.

According to Mrs. Go, two months later, the De Veras wanted their land back and when she refused, the De Veras instituted a civil action[9] in the lower court for the return of their former homestead. The complaint was signed by Atty. Mirabueno, the same lawyer who was supposed to be representing Mrs. Go, the purchaser.

After Mrs. Go made an offer of P1,000.00 on top of the original purchase price of P33,000.00, the De Vera spouses allegedly relented and agreed to desist from pursuing their complaint against Mrs. Go. Wasting no time, the latter immediately went to the office of Atty. Mirabueno because according to her, "he (was) also their lawyer." [10]

Atty. Mirabueno, then prepared the document entitled "Compromise Agreement and Amicable Settlement," purportedly secured the signatures of the De Veras and Mrs. Go and submitted the same to the trial court for approval.

As earlier stated, the lower court approved the settlement in its order of June 3, 1972.[11] The notice of order was to be served on "Atty. Narciso Mirabueno, General Santos; Victoria C. Go, General Santos City." On June 8, 1972, Atty. Mirabueno received the notice "for (d)ef plff." [12]

While Mrs. Go readily admitted having received notice of the June 3, 1972 order, the De Veras disclaimed any knowledge of the aforesaid order, let alone the institution of Civil Case No. 1284, until they were confronted in 1975 with the motion to dismiss filed by Mrs. Go alleging that the spouses had already lost their option to recover their homestead by reason of a prior civil case which they had allegedly filed for the same purpose and over the same subject matter.

Eugenio de Vera recalled that aside from the documents evidencing the 1972 sale, he and his wife were made to sign several papers by Atty. Mirabueno who assured them that those were mere formalities required by law. Unable to comprehend the usual documentary red tape, he requested Atty. Mirabueno to explain the contents to him and his wife. Relying on the counsel's assurances, the De Veras affixed their signatures on the papers, not realizing that they were relinquishing their right to recover their homestead for an additional consideration of P1,000.00 because those very same papers were the verification to the complaint in Civil Case No. 1284 and the compromise agreement.

The Court is convinced that the De Veras were telling the truth when they denied actual knowledge of the prior case and the contract of compromise. Consider the personalities involved in the case at bar, Eugenio de Vera, the patentee, reached only Grade IV while his wife was an intermediate graduate. They were pitted against Mrs. Go, a rich Chinese businesswoman, now a naturalized Filipino, whose interest were ably looked after by Atty.

Mirabueno, a prominent legal practitioner in General Santos City.

While Atty. Mirabueno drafted the De Veras' alleged complaint in the first case for recovery as well as the amicable settlement and subsequently received the notice of the order approving the settlement, he, in effect, simultaneously represented the vendor and the vendee. But judging from his actuations, it was obvious that he was partial in favor of Mrs. Go and utterly neglected the substantial rights of the De Veras. For while Mrs. Go was kept posted on the case, especially the judgment approving the compromise, the same "courtesy" was not extended to the De Vera couple. By making it appear that he was the spouses' counsel, Atty. Mirabueno succeeded in securing a copy of the June 3, 1972 judgment in behalf of his supposed clients and then later withheld the said information from them. This goes to show that the lawyer-client relationship between Atty. Mirabueno and the De Vera spouses was a sham. It was part of a scheme to systematically deprive the couple of their homestead by ensuring that they would remain ignorant of the ongoing civil case until such time that its disclosure would become necessary. The Court cannot help but conclude that no compromise agreement and amicable settlement was ever perfected between the contending parties since the De Veras' consent thereto had been obtained under false pretenses.

It must be stressed that a compromise is basically a contract perfected by mere consent. "Consent is manifested by the meeting of the offer and the acceptance upon the thing the cause which are to constitute the contract." [13]

In the present case, there was no meeting of the minds. Innocuous-looking documents were foisted on the simple-minded homesteaders on the pretext that these were "formalities" when in truth, one particular document [14] was the compromise agreement which eventually sealed their fate.

While the overriding rule is that a compromise agreement has the effect and authority of *res judicata* upon the parties even if the agreement has not been judicially approved, the courts can set it aside where it has been persuasively shown that the consent of one of the contracting parties has been vitiated. [15]

WHEREFORE, for the above-stated reasons, the decision of the Appellate Court under review is hereby **AFFIRMED**. Costs against the petitioners Victoria C. Go and Epifanio Go.

Let this matter be referred to the Integrated Bar of the Philippines for investigation, report and recommendation on the conduct of Atty. Narciso N. Mirabueno in this case.

SO ORDERED.

Gutierrez, Jr., Feliciano, Bidin, and Cortes, JJ., concur.

[1] Exhibit A, Original Exhibits, p. 1.

[2] Exhibit B, Original Exhibits, p. 5.

[3] Civil Case No. 1574.

[4] Civil Case No. 1284.

[5] Exhibits F and 12, Original Exhibits, pp. 11-12.

[6] Record on Appeal, pp. 11-13.

[7] Record on Appeal, p. 84.

[8] Rollo, p. 45.

[9] Civil Case No. 1284.

[10] TSN, pp. 78-79.

[11]. Record on Appeal, pp. 64-65.

[12] Exhibit F, Original Exhibits, p. 12; TSN, pp. 72, 100.

[13] Civil Code, Article 1319.

[14] Exhibit 12.

[15] Araneta vs. Perez, No. L-16187, April 30, 1963, 7 SCRA 923, 924; Binamira vs. Ogan-Occena, No. L-27777, March 23, 1987, 148 SCRA 677, 683.

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