

LANDOIL RESOURCES CORPORATION, CONSTRUCTION CONSORTIUM, INC., ASIA WATER & SEWERAGE SYSTEM, INC., GREATER MANILA LAND CORPORATION, PACIFIC ASIA BUILDERS AND DEVELOPERS, INC., ET...

G.R. No. 77733. December 20, 1988

Ponente: PARAS, J.

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PARAS, J.:

This is a petition for certiorari and prohibition with preliminary injunction seeking (1) to annul the March 13, 1987 resolution of the Court of Appeals,[*] and (2) to restrain R. Outhwaite and Company and Manuel Camacho from enforcing the said resolution of March 13, 1987.

In January, 1983, herein petitioner Landoil Resources Corporation (Landoil for short), through insurance brokers, obtained from herein private respondents R. Outhwaite and Company (Outhwaite for short) insurance coverage in the amount of US\$50,000,000.00 for its operation and those of its affiliates and subsidiaries against certain political risks outside the Philippines. Upon full payment of the corresponding premium, Outhwaite issued policy No. MAB255049 to Landoil.

In the same year of 1981, insurance claim for its construction project in the Middle East was made by Landoil, but the claim was denied by Outhwaite on the alleged grounds of non-disclosure and misrepresentation. Hence, petitioners filed Civil Case No. 12521 with the Regional Trial Court of Makati, presided over by Hon. Rafael Mendoza, to enforce its insurance claim and for compensatory and exemplary damages.

On January 7, 1986, summons was served upon Outhwaite through Smith, Bell & Co., who, on January 9, 1986, filed a manifestation stating, among others, that it is not authorized to receive summons in behalf of Outhwaite.

On January 22, 1986, Outhwaite filed a Special Appearance Motion to Quash Service of Summons (Rollo, pp. 40-45), questioning the jurisdiction of the Philippine Court over the persons of the defendants (private respondents herein).

On January 27, 1986, Outhwaite commenced arbitration proceedings against petitioners in the London Court of Arbitration pursuant to the arbitration clause contained in the policy, and the High Court of Justice, Queen's Bench Division, Commercial Court in an Order dated January 29, 1986 (Ibid., pp. 51-52), ordered, among others

—

"That the intended defendants be restrained by themselves, their servants or agents or otherwise howsoever from causing or permitting any further steps to be taken in Civil Case No. 12521 in the Regional Trial Court of the National Capital Region of the Philippines; otherwise, than by way of defending the application of the intended plaintiff herein to quash service of Summons by which the said civil case was commenced."

The trial court, in an Order dated February 18, 1986 (Rollo, pp. 54-55), finding Smith, Bell & Co. as settling agent of Outhwaite, denied Outhwaite's Special Appearance, Motion to Quash Service of Summons -

"After a careful consideration of the arguments of both parties, this Court believes that Smith, Bell & Co., Inc. is factually a settling agent of defendants underwriters and not the corporation of Lloyd's. Consequently, this Court denies the Motion to Quash Service of Summons and declares that service of summons upon it is legally deemed service upon the defendants underwriters. xxx."

On February 26, 1986, Outhwaite moved for the reconsideration of the said order of February 18, 1986, which was opposed by the petitioners. The trial court, in an order dated June 6, 1986, after Outhwaite had filed their reply to the opposition, denied the motion for reconsideration (Ibid., pp. 56-57).

Outhwaite filed a Petition for Certiorari/Prohibition with the Court of Appeals (Ibid., pp. 58-79), docketed therein as CA-G.R. SP No. 09364, questioning the validity of the service of summons to Outhwaite through Smith, Bell & Co. and consequently, the jurisdiction of the Makati Regional Trial Court over their persons.

On September 8, 1986, petitioners filed their Comment (Ibid., pp. 80-86).

On February 20, 1987, petitioners received a copy of a Motion to Approve Amicable Settlement (Rollo, pp. 87-94) filed by their counsel, private respondent Manuel Camacho, with the Court of Appeals.

In a letter dated February 23, 1987, Landoil formally terminated the services of private respondent Camacho as its counsel (Ibid., p. 98).

On February 24, 1987, Agcaoili & Associates filed a Motion for Substitution of Counsel (Ibid., pp. 99-100) to replace and substitute private respondent Camacho as Landoil's counsel. On the same date, Agcaoili & Associates filed a Motion to Strike Out from the Records the "Motion to Approve Amicable Settlement" (Ibid., pp. 102-104), which was opposed by private respondent Camacho on March 2, 1987 (Ibid., pp. 105-113). Petitioner Landoil filed a reply thereto on March 10, 1987 (Ibid., pp. 114-115).

The Court of Appeals, in a resolution promulgated on March 13, 1987 (Ibid., pp. 25-29), approved the amicable settlement. Hence, the instant petition.

The First Division of this Court, in a resolution dated April 1, 1987, required the petitioners and/or counsel to submit the verification of the petition (Ibid., p. 122) which was complied with on April 13, 1987 (Ibid., pp. 210-212).

Meanwhile, on April 8, 1987, private respondent Camacho filed a Motion to Dismiss and/or Comments on the instant petition (Rollo, pp. 124-158), further reiterated and prayed that the petition be dismissed with finality on April 28, 1987 (Ibid., pp. 217-220). The same was opposed by the petitioners on May 4, 1987 (Ibid., pp. 221-232).

On May 15, 1987, Outhwaite, et al. filed a Manifestation dated May 14, 1987 (Ibid., pp. 238-239), stating among others, that if the amicable settlement has been approved and the existence of this binding settlement agreement has been upheld. Underwriter does intend to submit to the jurisdiction of Philippine Courts and to comply with the order putting such agreement into effect and praying that the decision of the Court of Appeals be affirmed.

In the resolution of May 27, 1987, the petition was given due course and the parties were required to submit simultaneous memoranda (Ibid., p. 244). On May 25, 1987, petitioners filed their comments on Outhwaite's manifestation of May 14, 1987 (Ibid., pp. 245-247), while on July 9, 1987, the Philippine Export and Foreign Loan Guarantee Corporation (PHILGUARANTEE for short) filed a Motion for Leave to Intervene (Ibid., pp. 248-252), on which the adverse parties were required to comment in the resolution of August 10, 1987 (Ibid., p. 340).

On July 15, 1987, petitioners filed their Memorandum (Ibid., pp. 267-299). Private respondent Camacho, on the

other hand, filed his Memorandum on July 21, 1987 (Ibid., pp. 300-332).

On August 7, 1987, private respondent Camacho filed his Reply to petitioners' memorandum (Rollo, pp. 341-357), to which, petitioners filed their Rejoinder (Ibid., pp. 361-363).

On September 9, 1987, petitioners filed their Comment to PHILGUARANTEE's motion for leave to intervene (Ibid., pp. 365-368).

On September 11, 1987, Outhwaite filed a Supplemental to Manifestation dated 12 May, 1987 (Ibid., pp. 369-371), to which petitioners filed a comment (Ibid., pp. 378-381).

On September 22, 1987, private respondent Camacho filed his comment to the Motion for Intervention (Ibid., pp. 382-389).

On September 22, 1987, Atty. David M. Castro, counsel for Outhwaite, filed a reply to the comment dated September 16, 1987, filed by Messrs. Agcaoili and Associates (Ibid., pp. 385-387).

The First Division of this Court, in a resolution dated September 28, 1987, resolved to grant PHILGUARANTEE's motion for leave to intervene, and to require it to submit its own memorandum (Ibid., p. 388).

On September 30, 1987, Atty. Alfredo D. Valmonte manifested that: (1) he was never consulted, nor did he give his consent, permission or approval to Atty. Manuel Camacho's unilateral execution of a compromise agreement done for and in the name of Landoil Resources Corporation; and (2) that he had no dealings or contract with Atty. David Castro who represent respondents- underwriters (Rollo, pp. 389-390). Said manifestations were noted by the First Division of this Court in a resolution dated October 21, 1987 (Ibid., p. 391).

On November 4, 1987, Atty. Crispin T. Reyes with his manifestation dated November 2, 1987, filed for the record a copy of the complaint for disbarment, without the voluminous annexes, against Atty. Manuel N. Camacho, Adm. Case No. 3095 for the information of the Court (Ibid., pp. 392-427).

On November 27, 1987, PHILGUARANTEE filed its memorandum (Ibid., pp. 432-453), to which Atty. David M. Castro, in his own personal capacity as an officer of the Court and as a party to the amicable settlement, filed his reply to the Memorandum of the Intervenor on December 9, 1987 (Ibid., pp. 454-455).

The sole issue raised by petitioners is -

WHETHER OR NOT THE MOTION TO APPROVE AMICABLE SETTLEMENT IS WITHIN THE ORIGINAL OR APPELLATE JURISDICTION OF THE COURT OF APPEALS.

On the other hand, intervenor PHILGUARANTEE raised four (4) grounds for the reversal of the Court of Appeals' resolution, to wit:

I

THAT INTERVENOR IS AN INDISPENSABLE PARTY BUT WAS NOT GIVEN DUE NOTICE OR DULY HEARD BY THE COURT OF APPEALS IN VIOLATION OF FUNDAMENTAL DUE PROCESS.

II

THAT THE MEMORANDUM AGREEMENT IS PATENTLY INVALID AND NULL AND VOID AB INITIO.

III

EVEN ASSUMING, ONLY ARGUENDO, THAT THE COURT OF APPEALS HAS JURISDICTION,

NOTWITHSTANDING, SAID COMPROMISE AGREEMENT MAY NOT BE APPROVED BECAUSE THE SAME WAS EXECUTED CONTRARY TO LAW AND IS NULL AND VOID, HENCE, SAID RESOLUTION IS INVALID AND UNENFORCEABLE.

IV

THE INDUBITABLE FACTS AND CIRCUMSTANCES SHOW BEYOND QUESTION THE EXISTENCE OF FRAUDULENT CONSPIRACY TO DEFEAT LANDOIL'S \$540 MILLION-PLUS INSURANCE CLAIMS, THE BULK OF WHICH WILL GO TO INTERVENOR PHILGUARANTEE, HENCE, THE PHILIPPINE GOVERNMENT WILL THEREBY SUFFER HUGE DAMAGES. (Memorandum, pp. 12-13; Rollo, pp. 443-444)

Petitioners, quoting Section 9 of Batas Pambansa Blg. 129, as amended by Executive Order No. 33 (enumerating the cases wherein the Court of Appeals has original and/or appellate jurisdiction), contends that the Motion to Approve Amicable Settlement is not within either the original or appellate jurisdiction of the Court of Appeals. It further contends that to decide whether or not the Memorandum Agreement is valid and enforceable between the purported parties therein, it is necessary to determine various question of facts, and in the process, receive evidence thereon; but under the second paragraph of the aforesaid Section 9, the reception of evidence and determination of factual issues can be undertaken by the Court of Appeals only in aid of its original and appellate jurisdiction. Hence, petitioners argue that since the Motion to Approve Amicable Settlement is not within either the original or appellate jurisdiction of the Court of Appeals, such court has no authority to resolve the factual questions raised in the said motion, much less receive evidence thereon. Accordingly, petitioners maintain, that such functions pertain not to the Court of Appeals, but to the regional trial court.

Such contention is untenable.

It must be stated that the Court of Appeals acquired jurisdiction over the case when the Petition for Certiorari/Prohibition was filed and the defendants therein, now herein petitioners, filed their Comment to the Petition. Having acquired jurisdiction, the same cannot be lost on the basis of an intervening event, such as the amicable settlement of the parties. Jurisdiction once acquired by a court over a case remains with it until the full termination of the case, unless a law provides the contrary (*Bueno Industrial & Development Corp. v. Enage*, 104 SCRA 600 [1981]). Moreover, the aforestated Petition for Certiorari/Prohibition necessarily held in abeyance the original case before the trial court until the issue of jurisdiction raised before the Court of Appeals is resolved. Accordingly, all matters related thereto may properly be filed before the Court of Appeals, especially so if the purpose thereof is to terminate once and for all the controversy between the parties. To require that the Motion to Approve Amicable Settlement be filed with the trial court, as argued by petitioners, would only unduly delay the case, since, as above-stated, proceedings in the trial court would necessarily be held in abeyance.

In fact, jurisprudence in a long line of decisions, has established without question that compromise agreements reached by the parties in a case and filed before either the Court of Appeals or the Supreme Court, have been approved and/or sustained by this Court (*G. & S. Corp. v. C.A.*, 126 SCRA 212 [1983]; *Granador v. Elbinias*, 126 SCRA 205 [1983]; *Valdez v. C.A.*, 77 SCRA 336 [1977]; *Tan Chuan Leong v. C.A.*, 80 SCRA 493 [1977]; *Fernando v. Vasquez*, 31 SCRA 288 [1970]; *J.V. Development Corp. v. Cabullo*, 41 SCRA 129 [1971]; *Gabayan v. Navarro*, 124 SCRA 608 [1983]; *Mabasa v. Chang*, 56 SCRA 837 [1974]; *Montemar v. Geraldez*, 79 SCRA 49 [1977]).

Thus, it has been held that a compromise may supersede all agreements and proceedings that had previously taken place and may constitute a final and definite settlement of the controversies by and between the parties. From the time a compromise is validly entered into, it becomes the source of the rights and obligations of the parties thereto, the purpose of a compromise being precisely to replace and terminate controverted claims (Article 2028,

Civil Code). A compromise has upon the parties the effect and authority of *res judicata*, and is enforceable by execution upon approval by the court (Article 2037, Civil Code; *Republic v. Estenzo*, 25 SCRA 122 [1968]).

There is likewise no merit in petitioners' contention, that even if respondent Justices found the Motion to Approve Amicable Settlement cognizable by the Court of Appeals, they should have, at the very least, in keeping with the fundamental principle of due process, required presentation of evidence to prove and establish the allegations in the motion.

The evidence on record clearly shows that an amicable settlement was reached by the parties. As found by the Court of Appeals on October 27, 1986, Landoil's Board of Directors passed and approved a resolution authorizing its President, Atty. Ambrosio C. Collado and its counsel, herein private respondent Manuel N. Camacho, to negotiate, discuss and conclude an amicable settlement with the underwriters or their duly authorized representatives/lawyers for the sum of not less than US\$4,000,000.00 and upon such conditions they may deem most beneficial to Landoil. Pursuant to such resolution, Landoil's counsel Camacho, initiated negotiations with underwriters' Philippine counsel, David M. Castro, who was likewise authorized by the underwriters jointly with London Solicitors, Inc. & Co. After a series of negotiations and in consultation with their respective clients, the parties through their counsel, arrived at an amicable settlement in the total sum of US\$5,350,000.00 under the terms and conditions embodied in a Memorandum Agreement (Rollo, p. 26).

Subsequently, Landoil's letter dated December 29, 1986 signed by its Chairman and President, Ambrosio C. Collado, confirmed the amicable settlement but asked for a deferment of the formal execution of the settlement documents to January 26, 1987, stating among others:

"Save for the definite date of documentation and mutual deliveries scheduled today, which we ask to defer as below explained, our Group firmly and irrevocably convey our resolve to stand by and be held bound by the substantive aspects of our agreement in principle as among gentlemen. Let then this, our written word, be our bond." (Rollo, pp. 170-171)

Squarely on this point in the case of *Martin v. Martin, et al.* (105 Phil. 753-754 [1979]), this Court ruled that parties to the compromise agreement who signed and executed the same willingly and voluntarily should be bound by its terms. Thus, a person cannot repudiate the effects of his voluntary acts simply because it does not fit him, or simply because the judge before whom he executed the act, did not have jurisdiction of the case. In a regime of law and order, repudiation of an agreement validly entered into can not be made without any ground or reason in law or in fact for such repudiation.

The fact that the signature of Landoil's Acting Chairman and President Ambrosio C. Collado, had not yet been affixed on the amicable settlement will not help the case of the petitioner, because as above shown, the execution of the document of settlement is undeniable and further confirmed by the above-cited letter of Atty. Collado affirming in behalf of Landoil's Board of Directors, the substantive terms thereof, although begging for the deferment of the formal execution of the settlement document.

It has already been settled, that the only elements necessary to a valid agreement of compromise are the reality of the claim made and the bona fides of the compromise. Hence, if a binding oral compromise agreement has been entered into, the mere fact that a written agreement is subsequently drawn to evidence, does not detract from the validity of the oral agreement, even though the written evidence thereof is not signed (*Cadano v. Cadano*, 49 SCRA 42 [1973]).

On the other hand, the issues raised by the intervenor PHILGUARANTEE, specifically items II and III are anchored primarily on the validity or invalidity of the compromise agreement which have already been thoroughly discussed in the foregoing and therefore, need no further elaboration.

On the aspect of due process, the records show that the intervenor was not unaware of the on-going discussion of the amicable settlement both in the lower court and in the Court of Appeals.

In the lower court, as alleged by private respondent Camacho, intervenor was allowed to intervene but it never came around to filing the complaint, although it filed and was granted several motions for extensions of time to file the same until it was finally overtaken by the suspension of proceedings in said court (Rollo, p. 331).

In the Court of Appeals, it never intervened nor filed an opposition to the Motion to Approve Amicable Settlement. On the contrary, the letter dated December 29, 1986 (Rollo, pp. 170-171) of Landoil's lawyer, Atty. Collado, addressed to Messrs. Richard M. Outhwaite, et al., stated that:

"The Management of Philguarantee has been apprised of the settlement; is supportive of that arrangement; and we are confident of obtaining Philguarantee Board's indorsement of the action. x x x." (Rollo, pp. 170-171).

In any event, PHILGUARANTEE has been allowed by this Court to intervene and to adequately present its side of the case. Accordingly, the contention that it was not afforded due process is now less than fair.

Finally, intervenor PHILGUARANTEE's and the government's interests in this case are already duly protected by the appointment of PCGG members to the Board of Directors of Landoil who now constitute the majority thereof (Rollo, p. 383).

PREMISES CONSIDERED, the questioned March 13, 1987 Resolution of the Court of Appeals is AFFIRMED, and the instant petition is DENIED.

SO ORDERED.

Melencio-Herrera, (Chairperson), Padilla, and Regalado, JJ., concur.
Sarmiento, J., on leave.

[*] Third Division, penned by Associate Justice Ricardo P. Tensuan, and concurred in by Associate Justices Rodolfo A. Nocon and Felipe B. Kalalo.

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