

**REPUBLIC SURETY AND INSURANCE CO., INC., ET AL., PETITIONERS,
VS. INTERMEDIATE APPELLATE COURT, AND THE SPOUSES
DOMINGO AND FELICISIMA FERNANDEZ, RESPONDENTS.**

G.R. Nos. 71131-32. July 27, 1987

Ponente: FELICIANO, J.

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FELICIANO, J.:

This is a Petition for Review of the decision, dated 20 February 1985, by the respondent appellate court in AC-G.R. CV-Nos. 69471-72,[1] which decision affirmed in toto the joint decision[2] of the Court of First Instance of Rizal, dated 29 October 1980, in Civil Cases Nos. Q-14606 and Q-14790.

Civil Case No. Q-14790 was commenced on 13 August 1970 before the Court of First Instance by private respondents, the Spouses Fernandez, against the petitioners Republic Surety and Insurance Company, Inc., ("Republic Surety") and Republic Mines and Investment Company, Inc. ("Republic Mines"), and Francisco Koh, German Songco and Antonio Koh for annulment of a Deed of Sale with Assumption of Mortgage and to confirm a transaction as constituting a mortgage only, with damages.

Civil Case No. Q-14606 was an appeal to the Rizal Court of First Instance by the private respondents, the Spouses Fernandez, from a judgment rendered against them in an ejectment suit in the City Court of Quezon City. The ejectment suit had been brought by petitioner Republic Mines allegedly as owner of a house and lot situated at No. 14 Col. Salgado Street, Kamias District, Quezon City, for failure of the private respondents to pay alleged rentals under a supposed oral, month-to-month, lease contract of that property.

After trial, the Court of First Instance held that the Kamias District property was owned by the Spouses Fernandez; that the Deed of Sale with Assumption of Mortgage under which the petitioner Republic Mines allegedly bought that property from the spouses, was a simulated contract, since the Spouses Fernandez never intended to sell that property; that the transaction between the parties was in fact one of a loan obtained by the spouses and secured by a real estate mortgage on that property; and that there was no lease contract at all. The dispositive portion of this decision read as follows:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of the defendants-plaintiffs Domingo Fernandez and Felicisima T. Fernandez, declaring the:

a) Deed of Sale with Assumption of Mortgage executed on September 5, 1968 or Exhibit "A" NULL and VOID, ab initio and the plaintiffs-defendants Republic Surety and Insurance Co., Inc., Republic Mines and Investment Co., Inc., Francisco Koh, German Songco and Antonio Koh and all persons claiming rights under them are ordered to vacate the subject premises at 14 Col. Salgado, Kamias District, Quezon City and turn over possession of the premises to the spouses Domingo Fernandez and Felicisima Fernandez.

b) Confirming the Real Estate Mortgage dated September 3, 1968 or Exhibit 1, with the defendants-plaintiffs (Sps. Fernandezes) to pay plaintiffs-defendants interest at the rate of 12% per annum, from April 7, 1969 to June 17, 1969;

c) Plaintiffs in Civil Case No. Q-14606 and defendants in Civil Case No. Q-14790 are further ordered to pay the defendants-plaintiffs (Sps. Fernandezes) the sums of

1. P10,000.00 for moral damages;
2. P5,000.00 for exemplary damages;
3. P5,000.00 for attorney's fees, and
4. Costs of suit.

In Civil Case Q-14606, the appealed decision rendered in Civil Case 1-17856 of the City Court is hereby reversed and the action for ejectment is ordered DISMISSED.

SO ORDERED."

On appeal by the petitioners to the Intermediate Appellate Court, the respondent appellate court summarized the relevant facts in the following manner:

"The material facts of the case show that on September 3, 1968, the Fernandezes with their broker, Petronila Samson, went to the Republic Surety & Insurance Co., Inc. to borrow P50,000.00. They were badly in need of money to pay their debt to another creditor who had refused to allow them any grace period. Petronila Samson introduced the Fernandezes to Francisco Koh the President of the two sister companies. After some negotiations, a contract of loan was agreed upon. Papers, some in printed forms on long size papers and others on short size papers, were prepared in the office of Francisco Koh and presented to the Fernandezes for signature. Felicisima Fernandez noticed that the real estate mortgage (Exhibit 1, *Ibid.*, p. 20) was only P40,000.00. She objected to the reduction of the loan. Francisco Koh explained that the amount of P10,000.00 was embodied in the short sized documents and assured her that the documents were all for the mortgage of her property and that she could redeem the property the moment she has the money to liquidate the loan (City Court Record, Q-14606, pp. 355-357; see Record on Appeal, pp. 409-410). The Fernandezes were then furnished a copy of the mortgage contract only. When Felicisima Fernandez raised the question once more, Francisco Koh told her not to worry as he was ready to return the property as soon as the loan is liquidated (Exhibits U-2-3, City Court Record, Q-14606, p. 408; see Record on Appeal, p. 410).

The purported deed of sale with assumption of mortgage of the property of the Fernandezes located at 14 Salgado St., Kamias, Quezon City, covered by Transfer Certificate of Title No. 50154 of Quezon City (Exhibit A, Folder of Exhibits, p. 1), was executed on September 5, 1968, but the Fernandezes were charged with interest beginning the following day, September 6, 1968. The Fernandezes were told that after March 6, 1969, the interest would be referred to as rentals (City Court Record, Q-14606, p. 493; see Record on Appeal, p. 412). As a consequence, the Fernandezes were charged in advance interest at the rate of 12% per annum from September 6, 1968 to March 6, 1969 (Exhibit KK, also Exhibit 2, Folder of Exhibits, p. 21). Thereafter, the Republic Mines & Investment Co., Inc. collected rentals from March 7, 1969. The Fernandezes paid the rental for the first half of March, 1969 in the amount of P250.25 (Exhibit C, *Ibid.*, p. 7) and P249.75 for the second half of March (Exhibit D, *Ibid.*, p. 8), as well as the rental for April 1969 (Exhibit E, *Ibid.*, p. 9). Having reached the point where they could not accept this situation any longer, the Fernandezes decided to look for another financier, in order to redeem their property from Republic Surety and Insurance Co. They found one. When Francisco Koh learned that the Fernandezes were ready to redeem the property at P60,000.00, he changed his mind and raised the price to P80,000.00 which the Fernandezes refused (t.s.n. in Q-14790, July 9, 1971, pp. 10-11).

In May of 1969, the Fernandezes stopped paying anything to the Republic Mines & Investment Co., Inc. because of its refusal to change the payment of rentals to the payment of interest (Record on Appeal, pp. 409-410, 412-413)."

On the basis of the foregoing findings of fact, the respondent appellate court, after discussion, affirmed the decision of the Court of First Instance that the purported Deed of Sale with Assumption of Mortgage was a simulated transaction only. The dispositive portion of the decision of the respondent appellate court was as follows:

"WHEREFORE, finding no reversible error in the decision appealed from, the same is hereby affirmed in toto, with costs against the appellants."

The Petition for Review was filed on 10 July 1985. By a Resolution dated 24 July 1985, this Court denied the Petition for lack of merit. On 4 September 1985, the Court denied the Motion for Reconsideration and directed entry of final judgment in this case, which entry of judgment was effected on 16 September 1985.

On 9 December 1986, private respondents, the Spouses Fernandez, filed a "Very Urgent Clarificatory Inquiry" stating that when entry of judgment was directed by this Court, the decision of the Rizal Court of First Instance was executed by the Office of the Sheriff of Quezon City and the private respondents were placed in possession of the property involved. However, the inquiry goes on, the Quezon City Register of Deeds, when informed of the said final decision, refused to cancel Transfer Certificate of Title No. 133153 (standing in the name of petitioner Republic Mines) "because there was no mention in the dispositive portion of the decision directing the Register of Deeds of Quezon City to cancel TCT No. 133153 and/or revive the old TCT No. 50134 in the name of herein private respondents (Spouses Domingo and Felicisima Fernandez)."[3] The private respondents noted that notwithstanding the findings and conclusions of the Rizal Court of First Instance, the dispositive portion of the decision "somehow failed to instruct or direct the Register of Deeds of Quezon City to make the necessary cancellation of TCT No. 133153" which directive is simply "the logical and natural consequence of the declaration of nullity of the Deed of Sale [with Assumption of Mortgage] dated September 5, 1986." [4] The respondent-spouses also noted that their original complaint in Civil Case No. Q-14790 did pray, among other things, the Rizal Court.

"to order the Register of Deeds of Quezon City to recall and cancel Transfer Certificate of Title No. 133153 issued by that office to defendant Republic Mines and Investment Co., Inc. by virtue of said Deed of Sale with Assumption of Mortgage (Annex 'B') and thereafter to re-issue Transfer Certificate of Title No. 30154 or to issue a new certificate of title in the name of said plaintiffs [private respondents herein]."[5]

The petitioners herein opposed the private respondents' motion for clarificatory inquiry, recalling that the decision of the Rizal Court of First Instance became final on 16 September 1985. The petitioners argue that the dispositive portion of the decision is the only part thereof that is subject to execution and, in this case, the dispositive portion has become "unamendable" because the decision has become final. The petitioners suggest that the private respondents must seek their relief elsewhere and "in another separate suit." The petitioners point to Civil Case No. Q-47687 of the Regional Trial Court of Quezon City entitled "Fernandez vs. Republic Surety and Insurance Co., Inc., et al.," the main issue of which is said to be "the validity of the foreclosure sale of the property in question" and suggesting that it is this apparently still pending case that "will once and for all determine the true ownership rights of the parties concerned, and consequently, in whose name the title covering the property should be." [6]

In the exercise of the broad jurisdiction of this Court, we treat the "Very Urgent Clarificatory Inquiry" of the respondent-spouses as a motion for clarification of the Resolutions of this Court dated 21 July 1985 and 4 September 1985 where we denied the Petition for Review and affirmed the underlying decision of the Rizal Court of First Instance. We clarify, in other words, what we did affirm. What is involved here is not what is ordinarily regarded as a clerical error in the dispositive part of the decision of the Court of First Instance, which type of error is perhaps best typified by an error in arithmetical computation. At the same time, what is involved here is not a correction of an erroneous judgment or dispositive portion of a judgment. What we believe is involved here is in

the nature of an inadvertent omission on the part of the Court of First Instance (which should have been noticed by private respondents' counsel who had prepared the complaint), of what might be described as a logical follow-through of something set forth both in the body of the decision and in the dispositive portion thereof: the inevitable follow-through, or translation into, operational or behavioral terms, of the annulment of the Deed of Sale with Assumption of Mortgage, from which petitioners' title or claim of title embodied in TCT 133153 flows. The dispositive portion of the decision itself declares the nullity ab initio of the simulated Deed of Sale with Assumption of Mortgage and instructed the petitioners and all persons claiming under them to vacate the subject premises and to turn over possession thereof to the respondent-spouses. Paragraph B of the same dispositive portion, confirming the real estate mortgage executed by the respondent-spouses also necessarily assumes that Title No. 133153 in the name of petitioner Republic Mines is null and void and therefore to be cancelled, since it is indispensable that the mortgagors have title to the real property given under mortgage to the creditor (Article 2085 [2], Civil Code).

In *Locsin, et al. vs. Paredes, et al.*,^[7] this Court allowed a judgment that had become final and executory to be clarified by supplying a word which had been inadvertently omitted and which, when supplied, in effect changed the literal import of the original phraseology.

"x x x it clearly appears from the allegations of the complaint, the promissory note reproduced therein and made a part thereof, the prayer and the conclusions of fact and of law contained in the decision of the respondent judge, that the obligation contracted by the petitioners is joint and several and that the parties as well as the trial judge so understood it. Under the juridical rule that the judgment should be in accordance with the allegations, the evidence and the conclusions of fact and law, the dispositive part of the judgment under consideration should have ordered that the debt be paid severally, and in omitting the word or adverb 'severally' inadvertently, said judgment became ambiguous. This ambiguity may be clarified at any time after the decision is rendered and even after it had become final (34 Corpus Juris, 235, 326). The respondent judge did not, therefore, exceed his jurisdiction in clarifying the dispositive part of the judgment by supplying the omission." (Italics supplied.)^[8]

In *Filipino Legion Corporation vs. Court of Appeals, et al.*,^[9] the applicable principle is set out in the following terms:

"[W]here there is ambiguity caused by an omission or mistake in the dispositive portion of a decision the court may clarify such ambiguity by an amendment even after the judgment had become final, and for this purpose it may resort to the pleadings filed by the parties, the court's findings of facts and conclusions of law as expressed in the body of the decision."^[10]

There are powerful considerations of an equitable nature which impel us to the conclusions we reach here. Substantial justice cannot be served if the petitioner Republic Mines, having absolutely no right, legal or equitable, to the property involved, its claim thereto being based upon a transaction which was not only simulated but also immoral and unconscionable, should be allowed to retain the Transfer Certificate of Title in its name. The petitioner would thereby be in a position to inflict infinite mischief upon the respondent-spouses whom they deprived for 15 years of the possession of the property of which they were and are lawful owners, and whom they compelled to litigate for 15 years to recover their own property. The judicial process as we know it and as administered by this Court cannot permit such a situation to subsist. It cannot be an adequate remedy for the respondent-spouses to have to start once more in the Court of First Instance, to ask that court to clarify its own judgment, a process which could be prolonged by the filing of petitions for review in the Court of Appeals and eventually in this Court once more. Public policy of the most fundamental and insistent kind requires that litigation must at last come to an end if it is not to become more pernicious and unbearable than the very injustice or wrong sought to be corrected thereby. That public policy demands that we cut this knot here and now.

WHEREFORE, the joint decision of the Court of First Instance of Rizal in Civil Cases Nos. Q-14606 and Q-14790 is hereby clarified in its dispositive portion, first paragraph, so as to read as follows:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of the defendants-plaintiffs Domingo Fernandez and Felicisima T. Fernandez, declaring the:

a) Deed of Sale with Assumption of Mortgage executed on September 5, 1968 or Exhibit "A" NULL AND VOID, ab initio; ordering the Register of Deeds of Quezon City to recall and cancel Transfer Certificate of Title No. 133153 issued by that Office to defendant Republic Mines and Investment Co., Inc., and thereafter to re-issue Transfer Certificate of Title No. 30154 or to issue a new certificate of title in the name of the Spouses Domingo Fernandez and Felicisima Fernandez; and ordering the plaintiffs-defendants Republic Surety and Insurance Co., Inc., Republic Mines and Investment Co., Inc., Francisco Koh, German Songco and Antonio Koh and all persons claiming rights under them to vacate the subject premises at 14 Col. Salgado, Kamias District, Quezon City and to turn over possession of the premises to the Spouses Domingo Fernandez and Felicisima Fernandez.

xxx xxx xxx"

This Resolution shall be immediately executory. No pronouncement as to costs.

SO ORDERED.

Fernan (Chairman), Gutierrez, Jr., Bidin, and Cortes, JJ., concur.

[1] Decision penned by Pascual, J., with Camilon and Jurado, JJ., concurring.

[2] With Judge Jose P. Castro, presiding.

[3] Rollo, p. 88.

[4] Id., p. 89.

[5] Record on Appeal, pp. 68-69.

[6] Opposition to Motion to Issue, Revive and/or Cancel Title, Rollo, p. 108.

[7] 63 Phil. 87 (1936).

[8] 63 Phil. at 91-92.

[9] 56 SCRA 674 (1974).

[10] 56 SCRA at 691. See also *Presbitero v. Court of Appeals, et al.*, 129 SCRA 443 (1984).

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