

EN BANC

[G.R. No. 225366, September 01, 2020]

**STAR SPECIAL CORPORATE SECURITY MANAGEMENT, INC.
(FORMERLY STAR SPECIAL WATCHMAN & DETECTIVE AGENCY,
INC.) HEREIN REPRESENTED BY EDGARDO C. SORIANO, THE
HEIRS OF CELSO A. FERNANDEZ AND MANUEL V. FERNANDEZ
FOR HIMSELF AND FOR THE HEIRS, PETITIONERS, VS.
COMMISSION ON AUDIT, PUERTO PRINCESA CITY AND HON.
LUCILO R. BAYRON IN HIS CAPACITY AS CITY MAYOR AND THE
MEMBERS OF THE SANGGUNIANG PANGLUNGSOD,
RESPONDENTS.**

DECISION

LEONEN, J.:

The Commission on Audit has no jurisdiction to reverse and set aside a final judgment of the Regional Trial Court.

This Court resolves a Petition for Certiorari^[1] assailing the Decision^[2] and Resolution^[3] of the Commission on Audit, which denied the claim against Puerto Princesa City (Puerto Princesa) made by Star Special Corporate Security Management, Inc. (Star Special), represented by Edgardo C. Soriano, the heirs of Celso A. Fernandez (Celso), and Manuel V. Hernandez (Manuel for himself and for the Heirs, collectively, Star Special, et al.), for the balance of the just compensation for a parcel of land utilized as a road right-of-way, as adjudged in the final and executory decision of the Regional Trial Court of Quezon City.

Star Special Corporate Security Management, Inc. (formerly Star Special Watchman and Detective Agency, Inc.), Celso A. Fernandez, and Manuel V. Fernandez, were the owners of a parcel of land with an area of 5,942 square meters, more or less, and covered by Transfer Certificate of Title No. 13680 issued by the Registry of Deeds of Puerto Princesa City, Palawan.^[4]

Star Special, Celso, and Manuel's property was used as a road right-of-way when the national government established a military camp, known as Western Command, in Puerto Princesa. Thus, Star Special, et al. filed before the Regional Trial Court of Quezon City a complaint for just compensation (Civil Case No. Q-90-4930) against Puerto Princesa, Mayor Edward Hagedorn, and the City Council of Puerto Princesa.^[5]

On July 22, 1993, the Regional Trial Court rendered a Decision^[6] in favor of Star Special, et al.. The dispositive portion of the Decision reads:

WHEREFORE, judgment is hereby rendered ordering the defendant Puerto Princesa City to pay plaintiffs as follows:

The amount of One Thousand Five Hundred Pesos (P1,500.00) per square meter on their land covered by Transfer Certificate of Title No. 13680 of the Register of Deeds of Puerto Princesa City, measuring 5,942 square meters with interest at twelve (12%) percent from March 12, 1990, date of the filing of the complaint, and after payment, the Register of Deeds of Puerto Princesa City is ordered to cancel Transfer Certificate of Title No. 13680 in the names of the plaintiffs and another one be issued in the name of Puerto Princesa City, after payment of the corresponding fees; P2,000.00 monthly rental from 1986 until the whole value of the land has been fully paid; damages and attorney's fees are dismissed; and counterclaim of the defendant is likewise dismissed for lack of merit.

With costs against the defendant.

SO ORDERED.^[7]

The total money judgment amounted to P16,930,892.97 as of October 1995. However, sometime in November 1995, Celso and Puerto Princesa's legal counsel, Atty. Agustin Rocamora, verbally agreed to reduce the money judgment from P16,930,892.97 to P12,000,000.00, on the condition that the City would pay the amount of P2 million in February 1996 and, thereafter, P1 million monthly until fully paid. The P1 million monthly payment was further reduced to P500,000.00.^[8]

Pursuant to their verbal agreement, Puerto Princesa initially appropriated the amount of P2 million, representing the initial payment. Check No. 049646 dated January 30, 1996 for P2 million was then issued in the name of Celso, which he also received on February 6, 1996.^[9]

On May 10, 1996, Celso wrote a letter to Puerto Princesa, asking payment for the months of March, April, and May of 1996. He also requested the respondents to enact a continuing resolution for the P500,000.00 monthly payment until the remaining balance of P10 million was fully paid. Otherwise, Star Special would set aside their verbal agreement within the first week of June 1996.^[10]

Thereafter, through Sangguniang Panlungsod Resolution No. 292-96, approved on August 6, 1996, Puerto Princesa authorized the release of P500,000.00 monthly as payment for Star Special's claim.^[11]

Subsequently, checks were issued to Star Special, which was received by Celso on October 23, 1997, detailed as follows:

Check No.	Date Issued	Amount
049646	02/06/96	P2,000,000.00
18278355	09/10/96	1,000,000.00
21562399	11/05/96	1,000,000.00
4205501	01/31/97	2,000,000.00
22977614	05/15/97	2,000,000.00
22986270	05/26/97	1,500,000.00
22299190	06/24/97	500,000.00
22992012	07/27/97	500,000.00

22992130	08/29/97	500,000.00
25531/62	09/25/97	500,000.00
25535244	10/23/97	500,000.00 ^[12]

On November 27, 2001, which marked the fourth year since the balance of P12,000,000.00 was fully paid, Star Special, et al. filed another Complaint before the Regional Trial Court of Quezon City to recover the balance of the original money judgment of P16,930,892.97. The Complaint was docketed as Civil Case No. Q-01-45668 and raffled to Branch 223.^[13]

Puerto Princesa then filed its answer, asserting that claimants had already been paid in full.^[14] During trial, Puerto Princesa failed to appear on the scheduled hearing dates for the presentation of its evidence.^[15] Hence, in a June 5, 2003 Order, the trial court considered Puerto Princesa to have waived the presentation of its evidence, and the case was deemed submitted for resolution.^[16]

Puerto Princesa received notice of the June 5, 2003 Order on June 18, 2003. More than a month thereafter, Puerto Princesa filed a Motion for Reconsideration; but it was denied by the trial court for having been filed out of time.^[17]

Thereafter, judgment was rendered based on the evidence adduced by Star Special, et al.^[18] The trial court found that the compromise agreement did not novate Puerto Princesa's obligation under the July 22, 1993 Decision, because the terms laid down by Star Special, et al. for the purported agreement to materialize were never complied with by Puerto Princesa.^[19]

The trial court also rejected Puerto Princesa's allegation that Star Special, et al. was "estopped from pursuing its claim[.]"^[20] It found satisfactory Celso's explanation that the title was given to Puerto Princesa, upon the latter's request, to enable it to annotate a *lis pendens* afterwards, considering that Puerto Princesa had already made considerable payments on the property.^[21]

Furthermore, the trial court rejected Puerto Princesa's claim of laches, ruling that Star Special, et al.'s complaint was still well within the 10-year prescriptive period under Article 1144 (3) of the New Civil Code.^[22] At any rate, the trial court was convinced that Star Special, et al. had sufficiently established its claims.^[23]

The dispositive portion of the Regional Trial Court's November 18, 2003 Decision^[24] reads:

WHEREFORE, premises considered, defendant Puerto Princesa City is hereby ordered to pay the plaintiffs Star Special Watchman and Detective Agency, Inc., Celso A. Fernandez and Manuel V. Fernandez, the following:

1. The amount of ten million six hundred fifteen thousand five hundred sixty-nine pesos and sixty-three centavos (P10,615,569.63), representing the defendants['] unpaid balance under the July 22, 2003 Decision, with twelve percent (12%) interest *per annum*, as pegged in the said Decision, from November 27, 2001, the date of the judicial demand in the form of the filing of the present

Complaint; and

2. Three hundred eighty thousand pesos (P380,000.00), and the rentals of two thousand pesos (P2,000.00) monthly from November 2001, until full payment of the amount stated in No. 1 hereof.

Plaintiffs' claim for attorney's fees is **DENIED** [for] lack of basis.

Costs against the defendant.

SO ORDERED.^[25] (Emphasis in the original)

The November 18, 2003 Decision became final and executory on January 20, 2004.^[26] A Writ of Execution^[27] was then issued by the trial court on February 10, 2005.

When Puerto Princesa did not comply with its obligations, Star Special, et al. filed two (2) motions to: "(1) order the Land Bank of the Philippines to deliver the garnished account of Puerto Princesa City; and/or (2) order the City Council of Puerto Princesa City to appropriate funds for the payment of the money judgment[.]"^[28]

In an October 27, 2005 Order,^[29] the Regional Trial Court, Branch 223, Quezon City denied the motions on the ground that "no appropriation ordinance has been enacted and approved by the City Government of Puerto Princesa[.]"^[30] The Regional Trial Court, however, stated that Puerto Princesa must still honor its obligation and that Star Special, et al. was entitled to a full and just compensation. Hence, the trial court ordered Puerto Princesa to comply with the November 18, 2003 Decision and to immediately pay Star Special the sums of money ordered therein.^[31]

Through a May 7, 2007 Letter, Star Special, et al. requested the Commission on Audit to order Puerto Princesa to pay them the amount adjudged in the November 18, 2003 Decision.^[32] This was followed by a formal claim on July 13, 2007, praying that the Commission on Audit issue an order "directing respondents to appropriate/allocate the necessary funds for the full satisfaction of the said decision including the corresponding interests and rentals[,]" which as of June 26, 2007 amounted to P21,235,894.41."^[33]

On July 17, 2007, Director Roy L. Ursal (Director Ursal) of then Legal and Adjudication Office of the Commission on Audit wrote a Letter^[34] to Celso, informing him that the Commission on Audit could not act upon his request because it had no jurisdiction over the matter as the case was "already in the execution stage[.]"

Through an August 27, 2007 Letter, Puerto Princesa asked for the reconsideration of the July 17, 2007 Letter and sought the Commission's interference pursuant to Supreme Court Administrative Circular No. 10-2000, as implemented by COA Circular No. 2001-002 dated July 31, 2001. In his March 28, 2008 reply, Director Salvador P. Isiderio from the Legal and Adjudication Sector of the Commission on Audit reiterated the earlier stand of Director Ursal.^[35]

Star Special, et al. then filed a Petition for Mandamus before this Court, seeking to enforce the judgment award of the November 18, 2003 Decision.^[36] The petition was docketed as G.R. No. 181792.

In a Decision^[37] promulgated on April 21, 2014, the Third Division of this Court denied the Petition for Mandamus. This Court held that: (1) under Presidential Decree No. 1445, the Commission on Audit has the primary jurisdiction to settle all debts and claims due from the Government, or any of its subdivisions, agencies, and instrumentalities; and (2) this power can be exercised even if a court's decision in a case had already become final and executory, and even after the issuance of a writ of execution.^[38] The Decision disposed as follows:

WHEREFORE, the petition for mandamus is **DENIED**. Petitioners are enjoined to refile its claim with the Commission on Audit pursuant to P.D. No. 1445.

SO ORDERED.^[39] (Emphasis in the original)

Meanwhile, on July 17, 2012, the Commission on Audit rendered a Decision^[40] denying Star Special, et al.'s formal claim.^[41] The Commission on Audit found that Puerto Princessa had already paid and settled their obligation to the claimants as to the amount agreed upon. Moreover, the claimants cannot be allowed to renege on their verbal agreement by claiming that the original amount/money judgment was not paid or settled.^[42] According to the Commission on Audit, Star Special, et al. have shown their approval and adoption of the agreement by their acceptance and retention of the payments ^[43]

Star Special, et al. then filed a motion for reconsideration on August 24, 2012.^[44] However, on November 24, 2015, they withdrew their motion for reconsideration in view of this Court's April 21, 2014 Decision in G.R. No. 181792. They, instead, filed a second formal claim in order to collect and recover Puerto Princessa's alleged outstanding obligation.^[45]

The Commission on Audit rendered a May 31, 2016 Resolution,^[46] the dispositive portion of which reads:

WHEREFORE, premises considered, the August 23, 2012 motion for reconsideration and the motion to withdraw the same are hereby **DENIED** for lack of merit. Accordingly, COA Decision No. 2012-113 dated July 17, 2012 is hereby **AFFIRMED with FINALITY.**^[47] (Emphasis in the original)

Hence, this Petition was filed.

Petitioners contend that the balance of respondent Puerto Princessa's obligation had long been established in the final and executory November 18, 2003 Decision of the Regional Trial Court.^[48] Hence, the Commission on Audit violated the doctrines on immutability of judgment^[49] and *res judicata*^[50] when it issued a contrary ruling and denied petitioners' claim.