

## SECOND DIVISION

[ G.R. NO. 167961, April 03, 2007 ]

**SPS. MANUEL LEY AND JANET LEY, PETITIONERS, VS. UNION  
BANK OF THE PHILIPPINES AND COURT OF APPEALS,  
RESPONDENTS.**

### D E C I S I O N

**TINGA, J.:**

This petition for review on certiorari assails the Decision<sup>[1]</sup> of the Court of Appeals dated 18 January 2005, finding petitioners' complaint before the trial court for recovery of title barred by *res judicata*.

The basis for the appellate court's finding of appositeness of *res judicata* is a case that originated at the Regional Trial Court (RTC) in Makati City (Makati case).

*The Makati case*

A brief review of the antecedents of the Makati case will facilitate a better appreciation of the case at bar.

On 28 May 1990, a Credit Line Agreement<sup>[2]</sup> was executed between Ley Construction and Development Corporation (LCDC) and private respondent Union Bank of the Philippines (UBP).<sup>[3]</sup> The credit line given to LCDC was for P20 million, effective for a period of up to 31 May 1991.<sup>[4]</sup> Among the securities for the Credit Line Agreement is a Continuing Surety Agreement<sup>[5]</sup> executed on 23 May 1990 by petitioners, spouses Manuel and Janet Ley (spouses Ley), in favor of UBP.<sup>[6]</sup>

LCDC availed of the credit line granted to it and executed the promissory notes in favor of UBP in the total amount of P18,757,152.78.<sup>[7]</sup> However, LCDC failed, despite demands, to pay its loan obligation as of 31 May 1991.<sup>[8]</sup> Consequently, on 7 October 1991, UBP filed against the spouses Ley and LCDC the collection suit docketed as Civil Case No. 92-2737 before the RTC, Branch 139, Makati City.<sup>[9]</sup>

On 14 March 1996, the RTC, Makati City issued a Resolution<sup>[10]</sup> granting UBP's Motion for Summary Judgment and ordering LCDC and the spouses Ley to pay the amount of P18,833,674.86 plus the agreed interest and penalty charges.<sup>[11]</sup> When UBP moved for the execution of the Resolution, the new presiding judge denied the motion for execution. On appeal,<sup>[12]</sup> the Court of Appeals set aside and annulled the trial court's denial of the motion for execution.<sup>[13]</sup> On petition for review, this Court likewise affirmed the invalidity of the order denying the motion for execution per its Decision dated 27 June 2000.<sup>[14]</sup>

The money judgment in its favor having become final and executory, UBP levied on the spouses Ley's property covered by Transfer Certificate of Title No. T-21273 of the Register of Deeds of Tagaytay City (Tagaytay property). This levy was annotated on the certificate of title.<sup>[15]</sup> On 18 September 2002, the Tagaytay property was sold on execution with UBP as the highest bidder. A certificate of sale<sup>[16]</sup> was then issued in favor of UBP. This certificate of sale was registered with the Registry of Deeds of Tagaytay City and annotated on the original of the title on file with the Register of Deeds on the following day, 19 September 2002.<sup>[17]</sup>

### *The Tagaytay case*

Prior to the expiration of the redemption period for the Tagaytay property on 18 September 2003, the spouses Ley filed against UBP a complaint<sup>[18]</sup> for recovery of title before the RTC of Tagaytay City.<sup>[19]</sup>

In said complaint, filed on 23 June 2003, the spouses Ley alleged that they are the registered owners of the Tagaytay property and that on 23 December 1993, they entered into a Third Party Real Estate Mortgage over the same property in favor of the International Corporate Bank, Inc. to secure the loan/credit line accommodation in the amount of P9,702,000.00 granted to Azkon Refrigeration Industries, Inc.<sup>[20]</sup>

It is further alleged in the complaint that the International Corporate Bank, Inc. had later on merged with UBP; that as a consequence, the former's assets and liabilities were absorbed by the latter as the surviving corporation; that Azkon Refrigeration Industries, Inc. had already fully paid its obligation with International Corporate Bank, Inc. and/or UBP; that despite demands, however, UBP refused to release the title to the Tagaytay property to the spouses Ley; that, in view of UBP's refusal, the spouses Ley were unable to effect the sale of the Tagaytay property to a willing buyer for an acceptable price; and, that all the foregoing had prompted the spouses Ley to file the Tagaytay case for recovery of title as well as damages.<sup>[21]</sup>

On 8 August 2003, UBP filed a motion to dismiss the Tagaytay case on the grounds of bar by prior judgment, failure of the complaint to state a cause of action, and failure of the Ley spouses as plaintiffs to attach a copy of the title as well as other pertinent documents to their complaint.<sup>[22]</sup> The ground of bar by prior judgment is anchored on the finality of the judgment in the Makati case.

The RTC of Tagaytay City denied UBP's motion to dismiss in an Order dated 17 February 2004,<sup>[23]</sup> which reads in part, thus:

As gleaned from the foregoing, the two causes of action relied by both parties are based on different claims or cause [sic] of actions [sic] (Rizal Surety and Insurance Co. vs. CA, 336 SCRA 12) which are brought on different statutes and rules (Vda. De Salonga vs. Alagar, 335 SCRA 728).

WHEREFORE, premises considered, the motion to dismiss is hereby DENIED.

SO ORDERED.

Aggrieved, UBP filed before the Court of Appeals a special civil action for certiorari to annul and set aside the 17 February 2004 Order of the RTC. In its petition, UBP imputed grave abuse of discretion to the trial court in denying the motion to dismiss on the following grounds: that the Tagaytay property sought to be recovered had already been levied and sold on execution to satisfy the final and executory judgment in the Makati case; that UBP was justified in refusing to release the title over the Tagaytay property to the spouses Ley because it had already become the owner of the property; and that the failure to attach a copy of the title to the Tagaytay property as well as other pertinent documents alleged in the complaint violated the rule on actionable documents as provided in Sec. 7, Rule 8 of the Rules of Court.<sup>[24]</sup>

On the premise that the property sought to be recovered had already been levied upon on execution and a certificate of sale covering it issued in the name of UBP, the Court of Appeals held in its Decision that *res judicata* had already set in to bar the cause of action for recovery or release of title.<sup>[25]</sup> The appellate court also considered the doctrine of judicial stability or non-interference in the regular orders or judgments of a co-equal court as a barrier to the competence of the trial court to sustain the spouses Ley's action for recovery of title.<sup>[26]</sup>

Nevertheless, the appellate court ruled that the allegations in the complaint concerning UBP's refusal to release the title over the Tagaytay property to the spouses Ley despite full payment of the loan suffice to state a cause of action for recovery of damages. The Court of Appeals also found the failure of the spouses Ley to attach a copy of the title over the Tagaytay property excusable since the owner's copy of the title had been with UBP all along.<sup>[27]</sup>

Accordingly, the Court of Appeals partly granted the petition for certiorari, the dispositive portion of its Decision decreeing, thus:

WHEREFORE, premises considered, the instant PETITION FOR CERTIORARI is **PARTLY GRANTED**. Accordingly, the assailed Order dated February 17, 2004 issued by the Regional Trial Court of Tagaytay City, Branch 18 is hereby **AFFIRMED** in so far as in [sic] its declaration that *res judicata* had already set in the case for recovery or release of title; however, *res judicata* does not apply in private respondents Spouses Ley's prayer for recovery of damages.

The spouses Ley filed a motion for reconsideration<sup>[28]</sup> on 9 February 2005 but this was denied by the appellate court in a Resolution<sup>[29]</sup> dated 26 April 2005 on the ground that the motion was filed out of time.

The spouses Ley then elevated the appellate court's Decision to this Court through a Petition for Review on Certiorari,<sup>[30]</sup> claiming that the appellate court erred (i) in finding that the trial court did declare that *res judicata* had already set in to bar the action for recovery of or release of title, (ii) in entertaining the petition for certiorari despite the absence of a motion for reconsideration from UBP that would have given the trial court the opportunity to correct itself, (iii) in disregarding the principle that a denial of a motion to dismiss is not appealable, and (iv) in denying the motion for reconsideration of the Ley spouses on the ground that the motion was filed one day late.

We dispose of a few peripheral issues before proceeding to the heart of this case.

*First*, there is a glaring inconsistency in the dispositive portion of the Court of Appeals' Decision. The dispositive portion decreed that the decision of the RTC of Tagaytay was thereby "affirmed in so far as . . . its declaration that *res judicata* had already set in the case for recovery or release of title." Yet, in truth, the appellate court evidently misread the true import of the trial court's adjudication which actually was a rejection of the bid to dismiss the complaint on the ground of *res judicata*. This inattention could have caused some confusion had the appellate court's order become final and executory, as the erroneous premise set forth in the dispositive portion could have led to a variety of interpretations tending to frustrate a hassle-free execution of the decision.

*Second*, the spouses Ley are correct in their position that a motion for reconsideration should have first been filed by UBP before filing the petition for certiorari.<sup>[31]</sup> However, the courts are given leeway in deciding whether to strictly follow this rule or to tolerate any deficiency. What is of primary importance is that technical procedures are used to aid the courts in achieving their mandate to resolve cases in a manner that best serves the interest of substantial justice.

*Third*, the records show that the counsel for the spouses Ley received the 18 January 2005 Decision of the Court of Appeals on 24 January 2005.<sup>[32]</sup> Their motion for reconsideration submitted on 9 February 2005 was, therefore, filed out of time. While it is true that the belated filing of a motion for reconsideration necessarily suggests that the decision sought to be reconsidered has become final and executory,<sup>[33]</sup> the spouses Ley should have been accorded the same spirit of liberality which the appellate court extended to UBP by giving due course to UBP's petition for certiorari despite its failure to file the requisite motion for reconsideration with the lower court. Rules are designed to aid the courts in the dispensation of justice. When there is a strong showing that grave miscarriage of justice would result from the strict application of the Rules, this Court will not hesitate to relax the same in the interest of substantial justice.<sup>[34]</sup> In this case, the rigid observance of the rules would mean that the legal mess spawned by the imprecise *fallo* of the appellate court's decision would not be untangled and miscarriage of justice would ensue.

*Finally*, the contention of the spouses Ley that a denial of a motion to dismiss is not appealable is off-tangent. UBC properly elevated the case to the Court of Appeals through a petition for certiorari under Rule 65 on the ground that the trial court had acted without or in excess of its jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction. It did not resort to ordinary appeal in assailing the denial of the motion to dismiss.

We now tackle the merits of the petition.

To recall, UBP raised before the trial court several grounds to secure the dismissal of the complaint, to wit: that the action is barred by prior judgment; that the complaint states no cause of action; and that the spouses Ley failed to attach a copy of the title as well as other documents in their complaint.<sup>[35]</sup> Yet it appears that the trial court considered only the ground of *res judicata* despite the interposition of