

## FIRST DIVISION

[ G.R. No. 161657, October 04, 2007 ]

**REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. HON. VICENTE A. HIDALGO, IN HIS CAPACITY AS PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF MANILA, BRANCH 37, CARMELO V. CACHERO, IN HIS CAPACITY AS SHERIFF IV, REGIONAL TRIAL COURT OF MANILA, AND TARCILA LAPERAL MENDOZA, RESPONDENTS.**

### DECISION

**GARCIA, J.:**

*Via* this verified petition for *certiorari* and prohibition under Rule 65 of the Rules of Court, the Republic of the Philippines ("**Republic**," for short), thru the Office of the Solicitor General (OSG), comes to this Court to nullify and set aside the decision dated August 27, 2003 and other related issuances of the Regional Trial Court (RTC) of Manila, Branch 37, in its *Civil Case No. 99-94075*. In directly invoking the Court's original jurisdiction to issue the extraordinary writs of *certiorari* and prohibition, without challenge from any of the respondents, the Republic gave as justification therefor the fact that the case involves an over **TWO BILLION PESO** judgment against the State, allegedly rendered in blatant violation of the Constitution, law and jurisprudence.

By any standard, the case indeed involves a colossal sum of money which, on the face of the assailed decision, shall be the liability of the national government or, in fine, the taxpayers. This consideration, juxtaposed with the constitutional and legal questions surrounding the controversy, presents special and compelling reasons of public interests why direct recourse to the Court should be allowed, as an exception to the policy on hierarchy of courts.

At the core of the litigation is a 4,924.60-square meter lot once covered by Transfer Certificate of Title (TCT) No. 118527 of the Registry of Deeds of Manila in the name of the herein private respondent Tarcila Laperal Mendoza (Mendoza), married to Perfecto Mendoza. The lot is situated at No. 1440 Arlegui St., San Miguel, Manila, near the Malacañang Palace complex. On this lot, hereinafter referred to as the **Arlegui property**, now stands the Presidential Guest House which was home to two (2) former Presidents of the Republic and now appears to be used as office building of the Office of the President.<sup>[1]</sup>

The facts:

Sometime in June 1999, Mendoza filed a suit with the RTC of Manila for reconveyance and the corresponding declaration of nullity of a deed of sale and title against the Republic, the Register of Deeds of Manila and one Atty. Fidel Vivar. In her complaint, as later amended, docketed as *Civil Case No. 99-94075* and

eventually raffled to Branch 35 of the court, Mendoza essentially alleged being the owner of the disputed **Arlegui property** which the Republic forcibly dispossessed her of and over which the Register of Deeds of Manila issued TCT No. 118911 in the name of the Republic.

Answering, the Republic set up, among other affirmative defenses, the State's immunity from suit.

The intervening legal tussles are not essential to this narration. What is material is that in an Order of March 17, 2000, the RTC of Manila, Branch 35, dismissed Mendoza's complaint. The court would also deny, in another order dated May 12, 2000, Mendoza's omnibus motion for reconsideration. On a petition for *certiorari*, however, the Court of Appeals (CA), in *CA-G.R. SP No. 60749*, reversed the trial court's assailed orders and remanded the case to the court *a quo* for further proceedings.<sup>[2]</sup> On appeal, this Court, in *G.R. No. 155231*, sustained the CA's reversal action.<sup>[3]</sup>

From Branch 35 of the trial court whose then presiding judge inhibited himself from hearing the remanded Civil Case No. 99-94075, the case was re-raffled to Branch 37 thereof, presided by the respondent judge.

On May 5, 2003, Mendoza filed a *Motion for Leave of Court to file a Third Amended Complaint* with a copy of the intended third amended complaint thereto attached. In the May 16, 2003 setting to hear the motion, the RTC, in open court and in the presence of the Republic's counsel, admitted the third amended complaint, ordered the Republic to file its answer thereto within five (5) days from May 16, 2003 and set a date for pre-trial.

In her adverted third amended complaint for recovery and reconveyance of the **Arlegui property**, Mendoza sought the declaration of nullity of a supposed deed of sale dated July 15, 1975 which provided the instrumentation toward the issuance of TCT No. 118911 in the name of the Republic. And aside from the cancellation of TCT No. 118911, Mendoza also asked for the reinstatement of her TCT No. 118527.<sup>[4]</sup> In the same third amended complaint, Mendoza averred that, since time immemorial, she and her predecessors-in-interest had been in peaceful and adverse possession of the property as well as of the owner's duplicate copy of TCT No. 118527. Such possession, she added, continued "*until the first week of July 1975 when a group of armed men representing themselves to be members of the Presidential Security Group [PSG] of the then President Ferdinand E. Marcos, had forcibly entered [her] residence and ordered [her] to turn over to them her ... Copy of TCT No. 118525 ... and compelled her and the members of her household to vacate the same ...; thus, out of fear for their lives, [she] handed her Owner's Duplicate Certificate Copy of TCT No. 118527 and had left and/or vacated the subject property.*" Mendoza further alleged the following:

1. Per verification, TCT No. 118527 had already been cancelled by virtue of a deed of sale in favor of the Republic allegedly executed by her and her deceased husband on July 15, 1975 and acknowledged before Fidel Vivar which deed was annotated at the back of TCT No. 118527 under PE: 2035/T-118911 dated July 28, 1975; and

2. That the aforementioned deed of sale is fictitious as she (Mendoza) and her husband have not executed any deed of conveyance covering the disputed property in favor of the Republic, let alone appearing before Fidel Vivar.

*Inter alia*, she prayed for the following:

4. Ordering the ... Republic to pay plaintiff [Mendoza] a reasonable compensation or rental for the use or occupancy of the subject property in the sum of FIVE HUNDRED THOUSAND (P500,000.00) PESOS a month with a five (5%) per cent yearly increase, plus interest thereon at the legal rate, beginning July 1975 until it finally vacates the same;
5. Ordering the ... Republic to pay plaintiff's counsel a sum equivalent to TWENTY FIVE (25%) PER CENT of the current value of the subject property and/or whatever amount is recovered under the premises; Further, plaintiff prays for such other relief, just and equitable under the premises.

On May 21, 2003, the Republic, represented by the OSG, filed a *Motion for Extension (With Motion for Cancellation of scheduled pre-trial)*. In it, the Republic manifested its inability to simply adopt its previous answer and, accordingly, asked that it be given a period of thirty (30) days from May 21, 2003 or until **June 20, 2003** within which to submit an Answer.<sup>[5]</sup> June 20, 2003 came and went, but no answer was filed. On **July 18, 2003** and again on **August 19, 2003**, the OSG moved for a 30-day extension at each instance. The filing of the last two motions for extension proved to be an idle gesture, however, since the trial court had meanwhile issued an order<sup>[6]</sup> dated July 7, 2003 declaring the petitioner Republic as in default and allowing the private respondent to present her evidence *ex-parte*.

The evidence for the private respondent, as plaintiff *a quo*, consisted of her testimony denying having executed the alleged deed of sale dated July 15, 1975 which paved the way for the issuance of TCT No. 118911. According to her, said deed is fictitious or inexistent, as evidenced by separate certifications, the first (**Exh. "E"**), issued by the Register of Deeds for Manila and the second (**Exh. "F"**), by the Office of Clerk of Court, RTC Manila. Exhibit "**E**"<sup>[7]</sup> states that a copy of the supposed conveying deed cannot, despite diligent efforts of records personnel, be located, while Exhibit "**F**"<sup>[8]</sup> states that Fidel Vivar was not a commissioned notary public for and in the City of Manila for the year 1975. Three other witnesses<sup>[9]</sup> testified, albeit their testimonies revolved around the appraisal and rental values of the **Arlegui property**.

Eventually, the trial court rendered a judgment by default<sup>[10]</sup> for Mendoza and against the Republic. To the trial court, the Republic had veritably confiscated Mendoza's property, and deprived her not only of the use thereof but also denied her of the income she could have had otherwise realized during all the years she was illegally dispossessed of the same.

Dated August 27, 2003, the trial court's decision dispositively reads as follows:

WHEREFORE, judgment is hereby rendered:

1. Declaring the deed of sale dated July 15, 1975, annotated at the back of [TCT] No. 118527 as PE:2035/T-118911, as non-existent and/or fictitious, and, therefore, null and void from the beginning;
2. Declaring that [TCT] No. 118911 of the defendant Republic of the Philippines has no basis, thereby making it null and void from the beginning;
3. Ordering the defendant Register of Deeds for the City of Manila to reinstate plaintiff [Mendoza's TCT] No. 118527;
4. Ordering the defendant Republic ... to pay just compensation in the sum of ONE HUNDRED FORTY THREE MILLION SIX HUNDRED THOUSAND (**P143,600,000.00**) PESOS, plus interest at the legal rate, until the whole amount is paid in full for the acquisition of the subject property;
5. Ordering the plaintiff, upon payment of the just compensation for the acquisition of her property, to execute the necessary deed of conveyance in favor of the defendant Republic ...; and, on the other hand, directing the defendant Register of Deeds, upon presentation of the said deed of conveyance, to cancel plaintiff's TCT No. 118527 and to issue, in lieu thereof, a new Transfer Certificate of Title in favor of the defendant Republic;
6. Ordering the defendant Republic ... to pay the plaintiff the sum of ONE BILLION FOUR HUNDRED EIGHTY MILLION SIX HUNDRED TWENTY SEVEN THOUSAND SIX HUNDRED EIGHTY EIGHT (**P1,480,627,688.00**) PESOS, representing the reasonable rental for the use of the subject property, the interest thereon at the legal rate, and the opportunity cost at the rate of three (3%) per cent per annum, commencing July 1975 continuously up to July 30, 2003, plus an additional interest at the legal rate, commencing from this date until the whole amount is paid in full;
7. Ordering the defendant Republic ... to pay the plaintiff attorney's fee, in an amount equivalent to FIFTEEN (15%) PER CENT of the amount due to the plaintiff.

With pronouncement as to the costs of suit.

SO ORDERED. (Words in bracket and emphasis added.)

Subsequently, the Republic moved for, but was denied, a new trial per order of the trial court of October 7, 2003.<sup>[11]</sup> Denied also was its subsequent plea for reconsideration.<sup>[12]</sup> These twin denial orders were followed by several orders and processes issued by the trial court on separate dates as hereunder indicated:

1. November 27, 2003 - - *Certificate of Finality* declaring the August 27, 2003 decision final and executory.<sup>[13]</sup>

2. December 17, 2003 - - Order denying the Notice of Appeal filed on November 27, 2003, the same having been filed beyond the reglementary period.<sup>[14]</sup>
3. December 19, 2003 - - Order<sup>[15]</sup> granting the private respondent's motion for execution.
4. December 22, 2003 - - Writ of Execution.<sup>[16]</sup>

Hence, this petition for certiorari.

By Resolution<sup>[17]</sup> of November 20, 2006, the case was set for oral arguments. On January 22, 2007, when this case was called for the purpose, both parties manifested their willingness to settle the case amicably, for which reason the Court gave them up to February 28, 2007 to submit the compromise agreement for approval. Following several approved extensions of the February 28, 2007 deadline, the OSG, on August 6, 2007, manifested that it is submitting the case for resolution on the merits owing to the inability of the parties to agree on an acceptable compromise.

In this recourse, the petitioner urges the Court to strike down as a nullity the trial court's order declaring it in default and the judgment by default that followed. Sought to be nullified, too, also on the ground that they were issued in grave abuse of discretion amounting to lack or in excess of jurisdiction, are the orders and processes enumerated immediately above issued after the rendition of the default judgment.

Petitioner lists five (5) overlapping grounds for allowing its petition. It starts off by impugning the order of default and the judgment by default. To the petitioner, the respondent judge committed serious jurisdictional error when he proceeded to hear the case and eventually awarded the private respondent a staggering amount without so much as giving the petitioner the opportunity to present its defense.

Petitioner's posture is simply without merit.

Deprivation of procedural due process is obviously the petitioner's threshold theme. Due process, in its procedural aspect, guarantees in the minimum the opportunity to be heard.<sup>[18]</sup> Grave abuse of discretion, however, cannot plausibly be laid at the doorstep of the respondent judge on account of his having issued the default order against the petitioner, then proceeding with the hearing and eventually rendering a default judgment. For, what the respondent judge did hew with what Section 3, Rule 9 of the Rules of Court prescribes and allows in the event the defending party fails to seasonably file a responsive pleading. The provision reads:

SEC. 3. *Default; declaration of.*- If the defending party fails to answer within the time allowed therefor, the court shall, upon motion of the claiming party with notice to the defending party, and proof of such failure, declare the defending party in default. Thereupon, the court shall proceed to render judgment granting the claimant such relief as his pleading may warrant, unless the court in its discretion requires the claimant to submit evidence ....<sup>[19]</sup>