

THIRD DIVISION

[G.R. No. 226043, February 03, 2020]

HEIRS OF SALVADOR AND SALVACION LAMIREZ, NAMELY MARTHA, JHONY, AND JAVIER LAMIREZ, REPRESENTED BY DOLORES PARREÑAS; HEIRS OF ALFONSO AND FLORINDA ESCLADA, NAMELY ABELARDO, ALFREDO, HELEN, MARILYN, ELIZABETH, AND ALFONSO, JR., REPRESENTED BY GILDA E. LACANDULA; AND HEIRS OF PROVIDENCIA AND RODRIGO LLUPAR, REPRESENTED BY ETHELDA LLUPAR,^[1] PETITIONERS, VS. SPOUSES AHMED AMPATUAN AND CERILA R. AMPATUAN, RESPONDENTS.

DECISION

LEONEN, J.:

Res judicata bars a party from raising an issue or matter that has already been decided on with finality. There can be no *res judicata* where the issues raised in a subsequent action have never been passed upon in the prior judgment. *Res judicata* will likewise not lie if the prior decision was decided by a tribunal not having jurisdiction over the subject matter.

This Court resolves a Petition for Review on Certiorari^[2] assailing the Decision^[3] and Resolution^[4] of the Court of Appeals, which affirmed the Regional Trial Court's dismissal^[5] of an action for specific performance on the ground of *res judicata*.

This controversy arose from a land dispute brought to the Ministry of Agriculture and Natural Resources, Bureau of Lands in 1981. Spouses Salvador and Salvacion Lamirez, Spouses Alfonso and Florinda Esclada, and Spouses Providencia and Rodrigo Llupar (collectively, the Lamirez Spouses, et al.) had a claim against Spouses Ahmed and Cerila Ampatuan (the Ampatuan Spouses) as to who should be entitled over a property in Allah, Esperanza, Sultan Kudarat identified as Lot No. 1562-B, Pls-397-D.^[6]

On June 18, 1996, the parties agreed to settle the case through a Compromise Agreement. It provided that the disputed property would be titled in the Ampatuan Spouses' names, but once titled, they would be offering the property, through a Voluntary Offer to Sell, to the government under the Comprehensive Agrarian Reform Program. The Lamirez Spouses, et al. would be the beneficiaries, with the area they were actually occupying to be tentatively sold at P120,000.00 per hectare, the final value depending on the Land Bank of the Philippines' valuation.^[7] The Compromise Agreement read:

COMPROMISE AGREEMENT

COME NOW PARTIES in the above-entitled cases, to the Honorable Office of the Land Management Bureau, respectfully submit this compromise agreement as the basis for the final settlement and adjudication of the above-entitled cases upon such terms and conditions which the parties hereby agree, to wit:

1. The lot subject of this conflict shall be titled in the name of the Applicant respondent and/or his wife CERILA AMPATUAN and the papers for the perfection of his/their rights thereto may henceforth be processed so that titles to the afore-stated conflicted areas be issued to them;
2. That subject area once titled to the said applicant-respondent and/or his wife shall be offered to the government under the scheme of voluntary offer for sale;
3. That the claimants/protestants who are actually occupying the portion of the area covered by titles issued to applicant-protestant and or his wife shall be the beneficiaries of the actual area they actually occupy of the date of the execution hereof and shall not be displaced and transferred to any area without their respective consent;
4. That the actual area occupied by protestants shall be sold to them thru VOS at a price of ONE HUNDRED TWENTY THOUSAND PESOS per hectare, provided that in the event the valuation thereof by the Land Bank shall be less than the said amount, the protestants shall pay the applicant respondent the difference thereof upon such terms and conditions that may be entered into by the parties later;
5. That this compromise agreement is entered into by the parties on main intent that the parties who are the actual occupants on the land shall not be displaced;
6. That this compromise agreement not being contrary to law, morals, public order and public policy, the same is prayed for by the parties to be admitted and made final basis for the Adjudication of this case.^[8]

Pursuant to the Compromise Agreement, the Bureau of Lands issued titles in the Ampatuan Spouses' names on February 28, 1997. Original Certificate of Title No. P-17169 was issued to Ahmed Ampatuan while Original Certificate of Title No. 17170 was issued to Cerila Ampatuan. Consequently, the Compromise Agreement became the basis for the Bureau of Lands' disposition of the land dispute.^[9]

Sometime after, the Ampatuan Spouses filed a case for recovery of possession and back rentals against the Lamirez Spouses, et al. before the Office of the Provincial Agrarian Reform Adjudicator (Provincial Adjudicator). They alleged that the Lamirez Spouses, et al. refused to pay back rentals over the property while the Voluntary Offer to Sell was still being negotiated. The Lamirez Spouses, et al., on the other hand, alleged that they demanded the Ampatuan Spouses to comply with the Compromise Agreement, but the latter refused to do so.^[10]

On October 25, 2004, the Provincial Adjudicator rendered a Decision in favor of the Ampatuan Spouses and ordered the Lamirez Spouses, et al. to immediately cease cultivation of the land and to vacate the property.^[11] The dispositive portion of the Decision read:

WHEREFORE, in view of the foregoing judgment is hereby rendered:

1) Ordering all respondents, or any person or entity acting for and in their behalf, to immediately cease and desist from cultivating the following landholding subject of the complaint:

a) Lot No. 2088-E-1, Csd-12-006291 of an area of 72,964 square meters, more or less, registered in the name of Ahmed Ampatuan on March 19, 1997 under Original Certificate of Title No. 17170 (FP-126503-97-21447) and located at Allah, Esperanza, Sultan Kudarat;

b) Lot No. 2088-E-2, Csd-12-006291 of an area of 76,742 square meters, more or less, registered in the name of Ahmed K. Ampatuan on March 19, 1997 under Original Certificate of Title No. 17169 (FP-126503-97-21448) and located at Allah, Esperanza, Sultan Kudarat.

2) Ordering same respondents, or any person acting for and in their stead, to peacefully vacate said landholding and surrender the same in favor of complainants, namely, Ahmed Ampatuan and Cerila Ampatuan, or their duly authorized representatives.^[12]

The Provincial Adjudicator found that until the property in issue was placed under the Comprehensive Agrarian Reform Program's coverage, the Ampatuan Spouses remained the landowners and the Lamirez Spouses, et al. were their tenants. As such, while the payment of rentals was not in the Compromise Agreement, the Lamirez Spouses, et al., as tenants, were obligated to pay lease rentals to the Ampatuan Spouses.^[13]

The Lamirez Spouses, et al. appealed, but the Department of Agrarian Reform Adjudication Board Central Office, in its February 22, 2007 Decision, affirmed the Provincial Adjudicator's ruling. They moved for reconsideration, but their Motion was also denied.^[14]

Undaunted, the Lamirez Spouses, et al. filed a Petition for Certiorari, but even this was also denied by the Court of Appeals in a September 18, 2009 Decision. An Entry of Judgment dated February 4, 2010 certified that the September 18, 2009 Decision became final and executory on November 11, 2009. A Writ of Execution was issued by the Provincial Adjudicator on August 12, 2010.^[15]

On November 12, 2010, the Heirs of Salvador and Salvacion Lamirez, namely Martha, Jhony, and Javier; the Heirs of Alfonso and Florinda Esclada, namely Abelardo, Alfredo, Helen, Marilyn, Elizabeth, and Alfonso, Jr.; and the Heirs of Providencia and Rodrigo Lluvar (collectively, the Heirs of the Lamirez Spouses, et al.) filed a Complaint for specific performance or damages, seeking the enforcement of the Compromise Agreement. In their Answer with Counterclaim, the Ampatuan Spouses raised the defense of *res judicata*.^[16]

On August 2, 2012, the Regional Trial Court issued a Resolution^[17] dismissing the Complaint on the ground of *res judicata*. The subsequent Motion for Reconsideration was also denied in a December 14, 2012 Order.^[18] Aggrieved, the Heirs of the Lamirez Spouses, et al. appealed^[19] to the Court of Appeals.

On January 15, 2016, the Court of Appeals rendered a Decision^[20] affirming the Regional Trial Court's findings and legal conclusions.

According to the Court of Appeals, *res judicata* was applicable since the Decision in the recovery of possession case had already determined with finality the parties' rights over the disputed property.^[21] It found that in their counterclaim, the Heirs of the Lamirez Spouses, et al. were able to seek the specific performance of the Compromise Agreement, which had already been resolved by the Department of Agrarian Reform Adjudication Board.^[22] It held that they cannot demand that the Ampatuan Spouses offer the land pursuant to the Compromise Agreement, since they "acted in bad faith in refusing to fulfill their tenurial obligations to the [Ampatuan Spouses]":^[23]

It must be noted that DARAB Decision had become final and executory when this Court denied appellants' petition for certiorari and thereby issued an Entry of Judgment of the appealed case dated 4 February 2010. What is clearly established in the administrative case is the existence of tenurial relations between the parties with appellees as owners of the land and appellants as farmer-tenants thereof. As per Compromise Agreement, appellants conceded to the titling of the area in dispute in the name of appellees with the corresponding arrangement that the same will be eventually offered under the CARP through the VOS scheme with appellants as beneficiaries. The execution of the instrument cured the unauthorized entry, occupation and cultivation of the landholding by appellants but not their failure and continued refusal to pay lease rentals to the appellees even upon and after the effectivity of their agreement, as aptly stressed by the DARAB.^[24]

The Heirs of the Lamirez Spouses, et al. moved for reconsideration,^[25] but their Motion was denied in a June 29, 2016 Resolution.^[26] Hence, they filed this Petition.^[27]

Petitioners argue that the prior Decision on the recovery of possession case did not operate as *res judicata* to this case. They contend that while there was an identity of parties,^[28] there was no identity of rights asserted and reliefs prayed for. They claim that respondents filed the previous case based on a right of ownership and prayed for recovery of possession and back rentals; meanwhile, they filed the specific performance case based on their rights under the Compromise Agreement, with its enforcement as the relief sought.^[29]

Petitioners likewise argue that since respondents were only able to acquire titles to the disputed property through the Compromise Agreement, their refusal to comply constitutes bad faith.^[30]

Respondents counter^[31] that petitioners were the ones found to have acted in bad faith by not fulfilling their tenurial obligations under the Compromise Agreement, which in turn prevented respondents from performing their reciprocal obligations. They point out that in the recovery of possession case, petitioners had already pursued the same cause of action—specific performance—in their counterclaim, which was later found unmeritorious. Thus, respondents insist that there was no error in the application of *res judicata* in this present case.^[32]

In rebuttal,^[33] petitioners contend that whether they pay rentals was not a condition for respondents to refuse to comply with the Compromise Agreement. They also maintain that the recovery of possession case and this present case were founded on different causes of action.^[34]

From the parties' arguments, the issue before this Court is whether or not the Court of Appeals erred in holding that the action seeking the Compromise Agreement's enforcement was barred by the Department of Agrarian Reform Adjudication Board's final and executory Decision on the payment of leasehold rentals.

I

Res judicata is a legal principle where a party is barred from raising an issue or presenting evidence on a fact that has already been judicially tried and decided. It is "a matter adjudged; a thing judicially acted upon or decided; a thing or matter settled by judgment."^[35] The application of the principle is provided under Rule 39, Section 47 of the Rules of Court:

SECTION 47. *Effect of judgments or final orders.* — The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

. . . .

- (b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity; and
- (c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

As explained in *Presidential Decree No. 1271 Committee v. De Guzman*,^[36] *res judicata* is premised on the idea that judgments must be final and conclusive; otherwise, there would be no end to litigation.^[37]

In applying *res judicata*, courts must first distinguish between two (2) concepts: (1) bar by prior judgment; and (2) conclusiveness of judgment. In *Spouses Aboitiz v. Spouses Po*,^[38] this Court explained the difference between the two:

Res judicata in the concept of bar by prior judgment proscribes the filing of another action based on "the same claim, demand, or cause of action." It applies when the following are present: (a) there is a final judgment or order; (b) it is a judgment or order on the merits; (c) it was "rendered by