

SECOND DIVISION

[G.R. No. 237871, September 18, 2019]

MARGARITA FERNANDO, FELIX FERNANDO AND MANUEL FERNANDO, SUBSTITUTED BY HIS LEGAL HEIRS, NAMELY: JOSEFINA FERNANDO ANDAYA AND MARIA CONSOLACION FERNANDO PARASO, PETITIONERS, VS. ROSALINDA RAMOS PAGUYO; HEIRS OF LEONARDO RAMOS, NAMELY: EDNA RAMOS DIMLA, ANDREA RAMOS MIRASOL, AND ERMINIA RAMOS SAUL; VIRGILIO RAMOS REPRESENTED BY CHARLIE RAMOS ALZATE; TEODORICO RAMOS; AURORA RAMOS DELA CRUZ; VIRGINIA RAMOS PADILLA; RODOLFO RAMOS; AND ROSITA RAMOS FLORES, RESPONDENTS.

DECISION

CAGUIOA, J:

Before the Court is a Petition for Review on *Certiorari*^[1] (Petition) under Rule 45 of the Rules of Court filed by petitioners Margarita Fernando (Margarita), Felix Fernando (Felix) and Manuel Fernando (Manuel) (collectively the petitioners Fernandos) against respondents Rosalinda Ramos Paguyo (Rosalinda); the Heirs of Leonardo Ramos, namely: Edna Ramos Dimla (Edna), Andrea Ramos Mirasol (Andrea) and Erminia Ramos Saul (Erminia) (collectively the Heirs of Leonardo); Virgilio Ramos (Virgilio), represented by Charlie Ramos Alzate (Charlie); Teodorico Ramos (Teodorico); Aurora Ramos Dela Cruz (Aurora); Virginia Ramos Padilla (Virginia); Rodolfo Ramos (Rodolfo); and Rosita Ramos Flores (Rosita) (collectively the respondents), assailing the Decision^[2] dated May 17, 2017 (assailed Decision) and Resolution^[3] dated February 28, 2018 (assailed Resolution) rendered by the Court of Appeals (CA) in CA-G.R. SP No. 95641.

The Facts and Antecedent Proceedings

As narrated by the CA in its assailed Decision and as culled from the records of the instant case, the essential facts and antecedent proceedings of the case are as follows:

[The respondents and] x x x Lucena Ramos [(Lucena)] are the nine (9) children and heirs of the spouses Dominador Ramos and Damiana Porciuncula ("spouses Ramos"). On the other hand, [petitioners Margarita, Felix, and] Remigia Fernando [(Remigia)] are the collateral heirs of Tomas Fernando [(Tomas)].

The spouses Ramos owned a piece of agricultural land located at Barrio, Agricultura (now Licaong) Munoz, Nueva Ecija with a total area of 3.1541 hectares covered by Transfer Certificate of Title ("TCT") No. NT-1889 [(the subject property)]. The Ramoses both died intestate in the year

1945.

Thereafter, on October 30, 1952, [Lucena unilaterally] executed a Declaration of Heirship declaring that she is the sole heir of the spouses Ramos. Hence, Lucena was able to transfer the ownership of the [subject property] in her name and as a result, TCT No. NT-12647 was issued in her favor.

[Subsequently, Lucena sold to Tomas the subject property through a *pacto de retro* sale dated August 14, 1955 for P8,800.00, with Lucena having been granted the right to redeem the subject property within three years from the date of the sale.]

Aggrieved [by Lucena's unilateral act of executing a Declaration of Heirship], [in 1955, the respondents] filed a complaint docketed as **Civil Case No. 2146** against [the] spouses [Lucena] and Alfredo Mateo [(Alfredo)] before the then Court of First Instance ("CFI") of Nueva Ecija. In its **Decision dated January 25, 1961**, the CFI disposed of the complaint as follows:

"WHEREFORE, the judgment appealed from is hereby modified as follows[:] (1) ordering the cancellation of T.C.T. No. NT-12647 in the name of [Lucena], and the issuance of a new title covering the land described in the complaint in favor of all the legal heirs of [Spouses Ramos], namely Lucena; Leonardo; Virgilio; Teodorico; Aurora (sic) Virginia; Rodolfo; Rosalia and Rosita, all surnamed Ramos; (2) ordering the partition of the property aforesaid among the above-mentioned heirs in the proportion of 1/9 each; (3) sentencing cross-defendant [Lucena] to pay cross-complainant [Tomas] the sum of P8,800.00 with legal interest thereon from August 15, 1955 until fully paid, and as security for the payment of such amounts the appertaining to Lucena; Leonardo; Virgilio and Teodorico, surnamed Ramos, shall be subject, among others, to the lien of equitable mortgage in favor of [Tomas]. Costs are against defendant [Lucena]."

On appeal, the Court of Appeals affirmed the Decision dated January 25, 1961 in Civil Case No. 2146 and the same became **final and executory** on February 18, 1961 as per Entry of Judgment docketed as CA-G.R. No. 20833-R.

[The respondents then alleged that as a consequence of the final and executory Decision in Civil Case No. 2146, the subject property was subdivided by and among the heirs of the spouses Ramos, who are in open, continuous, exclusive, adverse, and notorious possession in the concept of owners.][⁴]

Sometime in 1993, [the petitioners Fernandos] learned of the Decision dated January 25, 1961 in Civil Case No. 2146 which is embodied in the Entry of Judgment dated February 18, 1961 issued by the Court of Appeals. Thus, [petitioner] Margarita went to the residence of spouses

[Lucena] and [Alfredo] to demand that the latter comply with the said Decision. [An alleged] **verbal agreement** was entered into between the [petitioners] Fernandos and spouses [Lucena] and [Alfredo] wherein the latter were given more time to pay or surrender the title of the subject property to the [petitioners] Fernandos. During this time, the spouses [Lucena] and [Alfredo] were in possession of the 2-hectare portion of the subject property while [one] Vicente Tobias was in possession of the remaining 1 hectare.

Four years thereafter or sometime in 1997, the [petitioners] Fernandos again demanded that the spouses [Lucena] and [Alfredo] comply with their verbal agreement. However, the spouses refused to pay nor surrender the title of the subject property to the [petitioners] Fernandos. Hence, on May 8, 1997, [the petitioners Fernandos] filed **a complaint for specific performance and damages** [to enforce the oral agreement covering the entire subject property] against [the] spouses [Lucena] and [Alfredo] before the [Regional Trial Court of Baloc, Sto. Domingo, Nueva Ecija, Branch 37 (RTC)] which was docketed as **Civil Case No. 31-SD(97)**. The [petitioners Fernandos] alleged that sometime in 1993, spouses [Lucena] and [Alfredo] entered into an [oral] agreement with the [petitioners] Fernandos with the following terms and conditions:

- a). That the [spouses Lucena and Alfredo] will abide by the Decision in CA-G.R. No. 20833-R (2146 of Nueva Ecija);
- b). That the [spouses Lucena and Alfredo] allowed the [petitioners Fernando] to take possession and control of the Owner's Copy of TCT No. NT-12647;
- c). That the [spouses Lucena and Alfredo] will remain in control of the land covered by TCT No. NT-12647 except VICENTE TOBIAS who has already recognized the [petitioners Fernandos] as the landowner of the land in question;
- d). That by the first month of 1997, the [spouses Lucena and Alfredo] will execute the necessary documents over the land covered by TCT No. NT-12647 in favor of the [petitioners Fernandos] in order that the Decision in Civil Case No. 2146 in favor of [TOMAS] may be completely satisfied and transfer possession of said land to the [petitioners Fernandos];

On September 21, 2001, the RTC rendered its Decision,^[5] the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered:

1. Declaring and confirming consolidation of ownership in [Tomas] of the real property covered by Transfer Certificate of Title No. NT-12647 and ordering the proper Registry of Deeds to issue another title in lieu thereof in the name of said [Tomas] upon payment of the fees due therefor; and

2. Ordering the defendant-spouses, [Lucena] and [Alfredo], to pay [petitioners Fernandos] the sum of Twenty Thousand Pesos (P20,000.00) as and for reasonable attorney's fees plus the costs of suit.^[6]

[The aforementioned Decision of the RTC in Civil Case No. 31-SD(97) was appealed by the Spouses Lucena and Alfredo before the Court of Appeals in CA G.R. No. CV 72875. On December 9, 2002, a Resolution was issued by the CA dismissing the Spouses Lucena and Alfredo's appeal due to their failure to file an appellants' brief within the prescribed period. An Entry of Judgment was then issued, certifying that the aforesaid Resolution became final and executory on November 13, 2003.]^[7]

As a result thereof, TCT No. N-32644 was [subsequently] issued in the name of [Tomas]. Consequently, the title over the subject property was transferred to [the petitioners Fernandos] as collateral heirs of [Tomas]. TCT No. 34698 was then issued in their names in lieu of TCT No. N-32644.

x x x x

Hence, on August 11, 2006, [the respondents] filed this **Petition [for Annulment of Decision and Damages^[8] (Petition for Annulment of Decision)] under Rule 47 of the Rules of Court** [before the CA] praying for the annulment of the Decision dated September 21, 2001 in Civil Case No. 31-SD(97). x x x The [respondents] prayed for the following:

WHEREFORE, it is most respectfully prayed that after notice and hearing an order shall be issued enjoining the [petitioners] "FERNANDO'S" from taking the land in question and enjoining the public respondent the Honorable Santiago M. Arenas from further hearing of Civil Case No. SD (05)-452 and for this Honorable Court of Appeals to annul the decision in Civil Case No. 21-SD (97) dated September 21, 2001 for being rendered with grave abuse of discretion amounting to lack or in excess of jurisdiction and ordering further the cancellation of Transfer Certificate of Title No. N-34698 registered in the name of [petitioners] "FERNANDO'S and in lieu thereof ordering the Register of Deeds of Talavera, Nueva Ecija who issued the said title to issue a new one in favor of the [respondents].

Ordering further the [petitioner Fernandos] to pay:

1. Attorneys Fee in the amount of Thirty thousand (P30,000.00) plus Five Thousand (P5,000.00) as appearance fee;

2. Moral damages in the total amount of ONE HUNDRED SIXTY THOUSAND (P160,000.00) and Exemplary Damages in the

total amount of not less than ONE HUNDRED THOUSAND (P100,000.00) Pesos.

[The respondents maintained that the complaint in Civil Case No. 31-SD(97) sought to recover only the shares of spouses Lucena and Alfredo over the subject property and did not cover the shares which pertained to the other heirs. Moreover, the respondents alleged that **they were not impleaded as defendants in Civil Case No. 31-SD(97) and the spouses Lucena and Alfredo did not have any authority to enter into a verbal agreement with the petitioners Fernandos with respect to the other co-heirs' shares over the subject property.**]

Thereafter, on October 24, 2010, a Resolution was issued by the [CA] declaring [the] spouses [Lucena] and [Alfredo] in default for failure to submit the required Answer to the instant Petition for Annulment of Decision and Damages despite receipt of the notices therein. Furthermore, the case was remanded to the Executive Judge of the RTC x x x for reception of evidence.^[9] (Emphasis supplied)

The Ruling of the CA

In the assailed Decision, the CA found merit in the Petition for Annulment of Decision. The dispositive portion of the assailed Decision reads:

WHEREFORE, the instant petition is **GRANTED**. The assailed Decision dated September 21, 2001 of the Regional Trial Court, Branch 37 of Baloc, Sto. Domingo, Nueva Ecija in Civil Case No. 31-SD(97) is hereby **ANNULLED** and **SET ASIDE** for lack of jurisdiction.

SO ORDERED.^[10]

In sum, the CA held that the RTC lacked jurisdiction over Civil Case No. 31-SD(97) because of the undisputed fact that **the respondents, who are indispensable parties, were not impleaded in the said case:**

Petitioners are rightfully co-owners of the subject property, without whom no relief is available and without whom the court can render no valid judgment. Section 7, Rule 3 of the Revised Rules of Court provides for the compulsory joinder of indispensable parties without whom no final determination can be had of an action. It is the duty of the [petitioners] Fernandos to implead all the necessary or indispensable parties for the complete determination of the action. Considering that [petitioners] knew that TCT No. NT-12647 in the name of [Lucena] was ordered canceled by the x x x RTC in Civil Case No. 2146 and that the subject property was partitioned among the nine heirs of spouses [Ramos] yet they did not implead them as indispensable defendants in Civil Case No. 31-SD (97). [Petitioners] Fernandos have only themselves to blame. In other words, the judgment ordering the cancellation of TCT No. NT-12647 and the issuance of another title in the name of [Tomas] is not binding on the [respondents] being co-owners of the subject property, who were not impleaded as defendants in Civil Case No. 31-SD (97). A person not included as a party to a case cannot be bound by the decision made by a