

SECOND DIVISION

[G.R. No. 208956, October 17, 2018]

REPUBLIC OF THE PHILIPPINES REPRESENTED BY THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS (DPWH), PETITIONER, VS. HEIRS OF ELIGIO CRUZ, REPRESENTED BY CRISANTA OLIQUINO, AND HEIRS OF ELIGIO CRUZ, REPRESENTED BY MAXIMINO AGALABIA, RESPONDENTS.

DECISION

CAGUIOA, J:

The Case

This is a Petition for Review on *Certiorari*^[1] (Petition) filed under Rule 45 of the Rules of Court against the Decision^[2] dated March 12, 2013 (Assailed Decision) and Resolution^[3] dated September 5, 2013 (Assailed Resolution) in CA-G.R. SP. No. 123203 rendered by the Court of Appeals (CA), Sixteenth Division.

The Assailed Decision and Resolution stem from the Omnibus Order^[4] dated July 25, 2011 (July 2011 Omnibus Order) and Order^[5] dated November 28, 2011 (November 2011 Order) issued by the Regional Trial Court (RTC) of Quezon City, Branch 222 in an action for interpleader (Interpleader) filed by the Republic of the Philippines (Republic) and docketed as Special Civil Action No. Q09-65409^[6].

The Interpleader was filed by the Republic in connection with the payment of just compensation corresponding to specific portions of Lot 643, a 41,745-square meter property situated in Quezon City.^[7]

The Facts

Sometime in 1977, the Department of Public Works and Highways (DPWH), then Ministry of Public Highways; conducted the widening of Visayas Avenue, Quezon City.^[8]

The construction encroached upon a 4,757-square meter portion (Disputed Portion) of Lot 643, identified as follows:

Lot	Area in square meters	Registered Owner
Lot 643-A-2	1,822	Virginia B. Uichanco
Lot 643-A-3	1,047	Julita B. Uichanco-Denoga
Lot 643-B	1,888	Eligio Cruz ^[9]

The Disputed Portion was subdivided, and thereafter registered in the name of the Republic. However, no payment of just compensation was made.^[10]

RTC Proceedings

Subsequently, a certain Crisanta Oliquino (Oliquino) filed with the DPWH a claim for payment of just compensation for and on behalf of several heirs of Eligio Cruz, namely, Nieves Cruz, Gregorio Cruz, Ester Cruz-Bernardino and Remigio Cruz (the Oliquino group).^[11]

Oliquino demanded just compensation for the Disputed Portion at the rate of Php15,000.00 per square meter, and engaged the services of Atty. Maximo Borja (Atty. Borja) to facilitate the claim.^[12]

In exchange for Atty. Borja's services, Oliquino executed a Deed of Assignment ceding in his favor the amount of Php14,000,000.00 out of the Php71,355,000.00 she expected to receive from the Republic.^[13] However, for reasons not apparent in the records, Oliquino later repudiated the deed, prompting the Republic to release the partial payment of Php39,533,239.13 in Oliquino's favor.^[14]

Confronted with conflicting claims of ownership over the Disputed Portion of Lot 643 left unpaid, the Republic withheld further payments and demanded the claimants to settle their opposing claims through litigation.^[15] Since the claimants failed to do so, the Republic was constrained to file the Interpleader, impleading as defendants the following claimants:

1. **The Oliquino group**, as heirs of Eligio Cruz;
2. Emilia Cruz-Agalabia represented by Diosdado C. Agalabia (**the Agalabia group**), as heirs of Eligio Cruz;
3. The estate and/or heirs of Virginia Uichanco (**Estate of V. Uichanco**); and
4. **Atty. Borja**.

Subsequently, Inisetas De Leon, Narciso Ignacio and Rebecca Basilio (**the De Leon group**) filed a *Motion for Intervention*, also claiming just compensation as heirs of Eligio Cruz. Said motion was granted by the RTC in its Order dated September 9, 2010.^[16]

Thereafter, Atty. Desiderio Pagui (Atty. Pagui) filed a *Motion for Summary Judgment*, for and on behalf of the Estate of V. Uichanco.^[17]

The case was later referred to the Philippine Mediation Center upon the manifestation of the Oliquino and Agalabia groups.^[18]

After termination of the mediation, the Oliquino group presented before the RTC a Compromise Agreement for approval. **While said agreement allocated the remaining balance of just compensation corresponding to the Disputed Portion among the defendants in the Interpleader, only the Oliquino and**

Agalabia groups agreed upon the allocation.^[19]

The approval of the Compromise Agreement was opposed by the De Leon group and Atty. Borja.^[20] Notwithstanding such opposition, the RTC issued a *Partial Judgment Based on Compromise Agreement (Partial Judgment)* on April 18, 2011 approving the terms of the Compromise Agreement. Consequently, a *Writ of Execution and Order of Delivery of Money* were issued, followed by a *Notice of Garnishment* directed to the Development Bank of the Philippines.^[21]

The De Leon group and Atty. Borja filed their respective motions for reconsideration of the *Partial Judgment*,^[22] while the Estate of V. Uichanco filed a *Motion to Dismiss*.^[23]

On the other hand, the Oliquino and Agalabia groups filed a *Motion for Issuance of Writ of Execution*.^[24]

In the July 2011 Omnibus Order, the RTC ruled in favor of the Oliquino and Agalabia groups, thus:

WHEREFORE, the several motions for reconsideration and motion to dismiss are hereby DENIED.

The motion for execution is hereby GRANTED.

Accordingly, let a writ of execution issue for the implementation of the aforesaid judgment based on Compromise Agreement dated April 18, 2011.

SO ORDERED.^[25] (Emphasis supplied)

The Republic filed several motions^[26] to avert execution.

On November 28, 2011, the RTC rendered the November 2011 Order, the dispositive portion of which reads, in part:

WHEREFORE, premises considered, the motions filed by [the Republic] and the [De Leon group] are hereby DENIED, for lack of merit.^[27]

CA Proceedings

Aggrieved, the Republic filed before the CA a *Petition for Certiorari with Prayer for Issuance of Writ of Preliminary Injunction and Temporary Restraining Order*^[28] (petition for *certiorari*). Said petition for *certiorari* imputed grave abuse of discretion to the RTC for rendering the July 2011 Omnibus Order and November 2011 Order.^[29]

In said petition for *certiorari*, the Republic averred that the orders directing the execution of the Partial Judgment are premature and were issued without legal basis,^[30] since the Partial Judgment "did not adjudicate nor (sic) settle the conflicting adversarial claims of the other impleaded defendants who are not parties to the [Compromise Agreement],"^[31] namely, Atty. Borja and the De Leon group.

On March 12, 2013, the CA issued the Assailed Decision dismissing the Republic's petition for *certiorari* for lack of merit.^[32] In so ruling, the CA held that since the *Partial Judgment* had attained finality, it may neither be amended nor corrected. Hence, "[t]he final and only action to be taken is to have the judgment executed in accordance with Rule 39 of the Rules of Court."^[33] According to the CA, it is "immaterial" that the issue raised in the Interpleader has yet to be resolved,^[34] as "[t]his does not derogate the judgment's susceptibility to execution."^[35]

The Republic filed a motion for reconsideration, which was denied by the CA in the Assailed Resolution.^[36]

The Republic received a copy of the Assailed Resolution on September 16, 2013.^[37]

On September 25, 2013, the Republic filed a motion for extension before the Court, seeking an additional period of thirty (30) days from October 1, 2013, or until October 31, 2013 within which to file its Petition.^[38]

On October 31, 2013, the Republic filed the present Petition.^[39]

The Oliquino and Agalabia groups filed their respective comments to the Petition on February 14, 2014 and June 1, 2015.^[40] Accordingly, the Republic filed its Reply on June 13, 2017.^[41]

The Issue

The sole issue for the Court's resolution is whether the CA erred when it affirmed the validity of the July 2011 Omnibus Order and November 2011 Order directing the immediate execution of the *Partial Judgment*.

The Court's Ruling

The Petition is impressed with merit.

Article 2028 of the Civil Code defines a compromise as a "contract whereby the parties, by making reciprocal concessions, avoid x x x litigation or put an end to one already commenced."

A compromise intended to resolve a matter under litigation is referred to as a *judicial* compromise.^[42] The effect of a judicial compromise is well established:

x x x Once stamped with judicial *imprimatur*, [a compromise agreement] becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. It has the effect and authority of *res judicata*, although **no execution may issue until it would have received the corresponding approval of the court where the litigation pends and its compliance with the terms of the agreement is thereupon decreed.** x x x^[43] (Emphasis supplied)

Before approving a compromise, courts are thus bound to strictly scrutinize the same to ensure that the compromise *and* its execution are compliant with the law and consistent with procedural rules.^[44]

The Court finds that the RTC failed to exercise the degree of scrutiny required by law and jurisprudence when it ordered the immediate execution of the Compromise Agreement. Consequently, the CA erred when it dismissed the Republic's petition for *certiorari* and affirmed the July 2011 Omnibus Order and November 2011 Order issued by the RTC.

To recall, the Compromise Agreement divides the Republic's **entire remaining balance** between and among the defendants, in accordance with the terms agreed upon by the Oliquino and Agalabia groups. **The allocation of the remaining balance was determined without the participation of all other claimants who likewise stand as parties to the Interpleader.**

The relevant terms of the Compromise Agreement read:

The parties, particularly, [the Agalabia group], [the Oliquino group], x x x entered into a COMPROMISE AGREEMENT dated March 24, 2011 hereunder quoted to read as follows:

x x x x

WHEREAS, x x x **the above-listed parties, being the present immediate relatives of the late [Eligio Cruz],** who were impleaded as defendants or have filed for intervention in [the Interpleader], **have agreed to settle the proceeds of the remaining portions amounting to Php31,821,760.87.**

NOW THEREFORE, for and in consideration of the above premises, the following are hereby stipulated:

GROUP I

1. The [h]eirs of Emilia Cruz represented by Maximino C. Agalabia shall receive the amount of ELEVEN MILLION FIVE HUNDRED THOUSAND PESOS (Php11,500,000.00);

GROUP II

2. The [h]eirs of Victorina Cruz will receive as follows:

2.1 The family of the late ESTHER CRUZ represented by [CRISANTA OLIQUINO] who shall receive the amount of [TWO MILLION TWO HUNDRED THOUSAND PESOS (Php2,200,000.00)]. Said amount to be equally divided by them.

2.2 The family of the late REMIGIO CRUZ, the first group is represented by [CRISANTA OLIQUINO] who shall receive the amount of [TWO MILLION TWO HUNDRED THOUSAND PESOS (Php2,200,000.00)]. Said amount to be equally shared by them.