

FIRST DIVISION

[G.R. No. 212731, September 06, 2017]

SPOUSES FIRMO S. ROSARIO AND AGNES ANNABELLE DEAN-ROSARIO, PETITIONERS, VS. PRISCILLA P. ALVAR, RESPONDENT.

D E C I S I O N

DEL CASTILLO, J.:

"Under the doctrine of conclusiveness of judgment, facts and issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties, even if the latter suit may involve a different claim or cause of action."^[1]

This Petition for Review on *Certiorari*^[2] under Rule 45 of the Rules of Court assails the May 27, 2014 Decision^[3] of the Court of Appeals (CA) in CA-G.R.CV No. 98928.

Factual Antecedents

On separate dates in 1989, petitioner Agnes Annabelle Dean-Rosario (Agnes) borrowed from respondent Priscilla Alvar (Priscilla) a total of P600,000.00, secured by real estate mortgages over two parcels of land covered by Transfer Certificates of Title Nos. 167438 (residence of petitioner spouses Agnes and Firmo Rosario) and 167439 (a five-door rental apartment).^[4]

In December 1990, the mortgages were discharged.^[5]

On March 16, 1992 and July 17, 1992, Agnes executed two Deeds of Absolute Sale over the two lots in favor of Priscilla's daughter, Evangeline Arceo (Evangeline), for the amount of P900,000.00 each.^[6] Evangeline later sold the lots to Priscilla also for the price of P900,000.00 each.^[7]

On April 27, 1994, Priscilla sent a demand letter to petitioner spouses Rosario asking them to vacate Lot 1.^[8] This prompted petitioner spouses Rosario to file before the Regional Trial Court (RTC) of Makati City a Complaint for Declaration of Nullity of Contract of Sale and Mortgage, Cancellation of Transfer Certificates of Title and Issuance of new TCTs with Damages, docketed as Civil Case No. 94-1797, against Priscilla.^[9] Petitioner spouses Rosario alleged that Priscilla deceived Agnes into signing the Deeds of Absolute Sale in favor of Evangeline, as Agnes merely intended to renew the mortgages over the two lots.^[10]

Priscilla, in turn, filed with the RTC a Complaint for Recovery of Possession, docketed as Civil Case No. 96-135.^[11] She claimed that she is the absolute owner of the

subject lots and that Agnes sold the lots because she was in dire need of money.^[12]

The cases were consolidated and on April 4, 2003, the RTC rendered a Decision granting Priscilla's complaint for recovery of possession while denying petitioner spouses Rosario's complaint for declaration of nullity of contract of sale.^[13] The dispositive portion of the Decision reads:

WHEREFORE, premises considered, Civil Case No. 94-1797 is ordered dismissed for lack of merit Defendants' counterclaims are also ordered dismissed.

[Respondent] having proven her claim in Civil Case No. 96-135, [petitioner spouses Rosario] are hereby ordered to vacate the house and lot located at No. 2703 Apolinario corner General Capinpin Streets, Bangkal, Makati City, covered by TCT No. 188995 and restore possession thereof to its rightful owner, [respondent].

SO ORDERED.^[14]

On appeal, the CA reversed the April 4, 2003 Decision of the RTC. In its November 15, 2006 Decision,^[15] the CA ruled that although the transfers from Agnes to Priscilla were identified as absolute sales, the contracts are deemed equitable mortgages pursuant to Article 1602^[16] of the Civil Code.^[17] Thus, the CA disposed of the case in this wise:

In view of these, We resolve [petitioner spouses'] prayers in the following manner:

Anent their prayer for the issuance of new certificates of titles, We hold the cancellation of [petitioner Agnes'] title over the 2 lots was void. Titles to the subject lots, which had supposedly been transferred to [Evangeline] and later to [Priscilla], actually remained with [petitioner Agnes], as owner-mortgagor, conformably with the well-established doctrine that the mortgagee does not automatically become the owner of the mortgaged property as the ownership thereof remains with the mortgagor. Hence, it is not necessary for Us to order the issuance of new titles under the name of [petitioner Agnes]. Accordingly, TCT No. 167438 and TCT No. 167439 issued under the name of [petitioner Agnes] must be reinstated, while TCT No. 188920 and TCT No. 188995 issued in the name of [Priscilla] must be nullified.

Anent their prayer for the nullification of the Deeds of Absolute Sale and the Mortgage, We resolve to deny the same. Although the subject deeds of sale in favor of [Evangeline] were actually for mortgage, said type of simulation of contracts does not result in the nullification of the deeds but requires the reformation of the instrument, pursuant to Article 1365 of the Civil Code.

Moreover, as [petitioner spouses Rosario] admitted they mortgaged the 2 lots to [Priscilla] as security for the payment of their loans. Absent any proof that [petitioner spouses Rosario] had fully paid their loans to [Priscilla], [Priscilla] may seek the foreclosure of the 2 lots if [petitioner

spouses Rosario] failed to pay their loans of P1.8 Million, the amounts appearing in the Deeds of Absolute Sale.

WHEREFORE, the Appeal is GRANTED. The assailed Decision dated April 4, 2003 of the Regional Trial Court of Makati City, Branch 150, in Civil Cases Nos. 94-1797 & 96-135, is hereby REVERSED and SET ASIDE.

A new one is hereby entered ordering the reinstatement of TCT No. 167438 and TCT No. 167439 issued under the name of [petitioner] Agnes Dean-Rosario and ordering the cancellation of TCT No. 188920 and TCT No. 188995 issued under the name of [Priscilla].^[18]

Since the parties did not file a motion for reconsideration or an appeal, the CA Decision became final and executory.^[19]

On October 17, 2007, Priscilla sent a letter to Agnes demanding the payment of her outstanding obligation amounting to P1.8 million.^[20] Due to the failure or refusal of petitioner spouses Rosario to heed the demand, Priscilla filed before the RTC of Makati, Branch 148, a Complaint^[21] for Judicial Foreclosure of Real Estate Mortgage, docketed as Civil Case No. 07-997.^[22]

Petitioner spouses Rosario moved for the dismissal of the Complaint, but the RTC denied the same.^[23]

They then filed a Petition for *Certiorari* before the CA, docketed as CA-G.R. SP No. 107484, questioning the denial of their Motion to Dismiss.^[24]

On May 25, 2010, the CA rendered a Decision dismissing the Petition for lack of merit.^[25]

On September 5, 2011, the Supreme Court issued a Resolution denying the Petition for Review on *Certiorari* filed by petitioner spouses Rosario.^[26]

Meanwhile, on May 5, 2009, Priscilla filed a Motion to Declare Defendants in Default for the failure of petitioner spouses Rosario to file an answer within the reglementary period, which the RTC granted.^[27]

Ruling of the Regional Trial Court

On January 25, 2012, the RTC rendered a Decision^[28] in favor of Priscilla, the dispositive portion of which reads:

WHEREFORE, premises considered, decision is hereby rendered ordering [petitioner] Spouses Firmo S. Rosario and Agnes Annabelle Dean-Rosario to pay the [respondent] Priscilla Alvar, jointly and severally, the following sums:

1. Php1,800,000.00 as the aggregate amount of [petitioner spouses Agnes and Firmo Rosario's] obligation to [Priscilla], plus 12% legal interest per annum from the time of demand on October 18, 2007 until

the obligation is fully paid;

2. Php62,903.88 as reimbursement for payment of real property taxes due on the subject lots;

3. Php200,000.00 as attorney's fees and litigation expenses in the amount of Php200,000.00

All the above must be paid within a period of not less than ninety (90) days nor more than one hundred twenty (120) days from the entry of judgment. In default of such payment, the two (2) parcels of land covered by TCT Nos. 167438 and 167439 subject matter of the suit including its improvements shall be sold to realize the mortgage debt and costs, in the manner and under the regulations that govern sales of real estate under execution.

SO ORDERED. ^[29]

Aggrieved, petitioner spouses Rosario appealed to the CA.

Ruling of the Court of Appeals

On May 27, 2014, the CA affirmed the January 25, 2012 Decision of the RTC with modification that: (1) the interest rate imposed shall be 6% per annum in accordance with Bangko Sentral ng Pilipinas (BSP) Circular No. 799, Series of 2013; and (2) the attorney's fees and litigation expenses shall be reduced to P50,000.00. ^[30]

Issues

Hence, petitioner spouses Rosario filed the instant Petition with the following issues:

I.

WHETHER THE HONORABLE [CA] COMMITTED GRAVE ABUSE OF DISCRETION IN HOLDING THAT A REFORMATION OF INSTRUMENT BETWEEN THE PARTIES IS NO LONGER NECESSARY DESPITE AN EARLIER RULING BY THE HONORABLE [CA] THAT REFORMATION IS REQUIRED ESPECIALLY BECAUSE:

- A) [Respondent] had no personality to file a complaint for judicial foreclosure. To allow this would violate the ruling of this Honorable Court in *Borromeo v. Court of Appeals*, 550 SCRA 269 and Article 1311 of the New Civil Code.
- B) The obligation of the petitioner [spouses Rosario] in the amount of P1,800,000.00 has no legal and factual basis.
- C) The original real estate mortgages between the parties have been cancelled or discharged. The alleged new Deeds of Sale to the daughter of the [respondent] are fake and simulated.

II.

WHETHER THE RULING OF THE [CA] IS CONTRARY TO THE CASE OF GO V. BACARON, 472 SCRA 339.

III.

WHETHER THE HONORABLE [CA] COMMITTED GRAVE ABUSE OF DISCRETION IN NOT HOLDING THAT A REFORMATION OF THE INSTRUMENTS CAN BE MADE PRIOR TO FORECLOSURE PROCEEDINGS (AS A RESULT OF THE RULING THAT THE CONTRACT BETWEEN THE PARTIES SHOULD BE TREATED AS AN EQUITABLE MORTGAGE).^[31]

Simply put, the issue is whether the CA erred in dismissing the appeal.

Petitioner spouses Rosario's Arguments

Petitioner spouses Rosario contend that Priscilla had no legal personality to institute the judicial foreclosure proceedings as the Deeds of Absolute Sale, which were deemed equitable mortgages, were executed by them in favor of Evangeline, not Priscilla.^[32] They also claim that the obligation in the amount of P1.8 million has no legal and factual bases as the only loan they obtained was in the amount of P600,000.00.^[33] Lastly, they insist that before the subject lots can be judicially foreclosed, a reformation of the fake and simulated Deeds of Absolute Sale must first be done to enable them to present documentary and parol evidence.^[34]

Respondent's Arguments

Priscilla, on the other hand, maintains that she has a legal personality to institute the foreclosure proceedings pursuant to the November 15, 2006 Decision.^[35] The indebtedness of petitioner spouses Rosario was also established in the said Decision, which has long attained finality.^[36] She asseverates that the loan has not been paid and that the judicial foreclosure is not based on the old mortgages that have been discharged, but on the Deeds of Absolute Sale, which were considered as equitable mortgages in the November 15, 2006 Decision.^[37] As to the reformation of the instruments, Priscilla asserts that there is no need for such reformation as the declaration in the November 15, 2006 Decision is sufficient.^[38]

Our Ruling

The Petition lacks merit.

There is conclusiveness of judgment as to the issues pertaining to the existence of the loan and the legal personality of Priscilla to file a case for judicial foreclosure.

At the outset, it must be pointed out that the November 15, 2006 Decision of the CA in CA-G.R. CV No. 81350, from which this case arose, has attained finality due to the failure of the parties to file a motion for reconsideration or an appeal. As such, the factual findings and conclusions in the November 15, 2006 Decision may no longer be disputed by petitioner spouses Rosario as *res judicata* by conclusiveness