

## FIRST DIVISION

[ G.R. No. 167000, June 08, 2011 ]

**GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS),  
PETITIONER, VS. GROUP MANAGEMENT CORPORATION (GMC)  
AND LAPU-LAPU DEVELOPMENT & HOUSING CORPORATION  
(LLDHC), RESPONDENTS.**

[G.R. No. 169971]

**GROUP MANAGEMENT CORPORATION (GMC), PETITIONER, VS.  
LAPU-LAPU DEVELOPMENT & HOUSING CORPORATION (LLDHC)  
AND GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS),  
RESPONDENTS.**

### D E C I S I O N

**LEONARDO-DE CASTRO, J.:**

At bar are two consolidated Petitions for Review on *Certiorari* concerning 78 parcels of land located in Barrio Marigondon, Lapu-Lapu City. The parties in both cases have been in litigation over these lots for the last two decades in what seems to be an endless exercise of filing repetitious suits before the Court of Appeals and even this Court, questioning the various decisions and resolutions issued by the two separate trial courts involved. With this decision, it is intended that all legal disputes among the parties concerned, particularly over all the issues involved in these cases, will finally come to an end

In the Petition in **G.R. No. 167000**, the Government Service Insurance System (GSIS) seeks to reverse and set aside the November 25, 2004 Decision <sup>[1]</sup> and January 20, 2005 Resolution <sup>[2]</sup> of the Twentieth Division of the Court of Appeals in CA-G.R. SP No. 85096 and to annul and set aside the March 11, 2004 <sup>[3]</sup> and May 7, 2004 <sup>[4]</sup> Orders of the Regional Trial Court (RTC) of Lapu-Lapu City (Lapu-Lapu RTC) in **Civil Case No. 2203-L**.

In the Petition in **G.R. No. 169971**, Group Management Corporation (GMC) seeks to reverse and set aside the September 23, 2005 Decision <sup>[5]</sup> in CA-G.R. SP No. 84382 wherein the Special Nineteenth Division of the Court of Appeals annulled and set aside the March 11, 2004 Order of the Lapu-Lapu RTC in Civil Case No. 2203-L.

Both these cases stem from the same undisputed factual antecedents as follows:

Lapu-Lapu Development & Housing Corporation<sup>[6]</sup> (LLDHC) was the registered owner of seventy-eight (78) lots (subject lots), situated in Barrio Marigondon, Lapu-Lapu City.

On February 4, 1974, LLDHC and the GSIS entered into a Project and Loan Agreement for the development of the subject lots. GSIS agreed to extend a Twenty-Five Million Peso-loan (P25,000,000.00) to LLDHC, and in return, LLDHC will develop, subdivide, and sell its lots to GSIS members. To secure the payment of the loan, LLDHC executed a real estate mortgage over the subject lots in favor of GSIS.

For LLDHC's failure to fulfill its obligations, GSIS foreclosed the mortgage. As the lone bidder in the public auction sale, GSIS acquired the subject lots, and eventually was able to consolidate its ownership over the subject lots with the corresponding transfer certificates of title (TCTs) issued in its name.

On November 19, 1979, GMC offered to purchase on installments the subject lots from GSIS for a total price of One Million One Hundred Thousand Pesos (P1,100,000.00), with the aggregate area specified as 423,177 square meters. GSIS accepted the offer and on February 26, 1980, executed a Deed of Conditional Sale over the subject lots. However, when GMC discovered that the total area of the subject lots was only 298,504 square meters, it wrote GSIS and proposed to proportionately reduce the purchase price to conform to the actual total area of the subject lots. GSIS approved this proposal and an Amendment to the Deed of Conditional Sale was executed to reflect the final sales agreement between GSIS and GMC.

On April 23, 1980, LLDHC filed a complaint for Annulment of Foreclosure with Writ of Mandatory Injunction against GSIS before the RTC of Manila (Manila RTC). This became **Civil Case No. R-82-3429**<sup>[7]</sup> and was assigned to Branch 38.

On November 3, 1989, GMC filed its own complaint against GSIS for Specific Performance with Damages before the Lapu-Lapu RTC. The complaint was docketed as **Civil Case No. 2203-L** and it sought to compel GSIS to execute a Final Deed of Sale over the subject lots since the purchase price had already been fully paid by GMC. GSIS, in defense, submitted to the court a Commission on Audit (COA) Memorandum dated April 3, 1989, purportedly disallowing in audit the sale of the subject lots for "apparent inherent irregularities," the sale price to GMC being lower than GSIS's purchase price at the public auction. LLDHC, having been allowed to intervene, filed a Motion to Dismiss GMC's complaint. When this motion was denied, LLDHC filed its Answer-in-Intervention and participated in the ensuing proceedings as an intervenor.

GMC, on February 1, 1992, filed its own Motion to Intervene with a Complaint-in-Intervention in Civil Case No. R-82-3429. This was dismissed on February 17, 1992 and finally denied on March 23, 1992 by the Manila RTC on the ground that GMC can protect its interest in another proceeding. <sup>[8]</sup>

On February 24, 1992, after a full-blown trial, the Lapu-Lapu RTC rendered its Decision <sup>[9]</sup> in Civil Case No. 2203-L, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered ordering defendant to:

1. Execute the final deed of absolute sale and deliver the seventy-eight (78) certificates of title covering said seventy-eight (78) parcels of land

to the [Group Management Corporation (GMC)];

2. Pay [GMC] actual damages, plus attorney's fees and expenses of litigation, in the amount of P285,638.88 and P100,000.00 exemplary damages;

3. [D]ismissing *in toto* intervenor's complaint-in-intervention for lack of evidence of legal standing and legal interest in the suit, as well as failure to substantiate any cause of action against either [GMC] or [GSIS]. [10]

In deciding in favor of GMC, the Lapu-Lapu RTC held that there existed a valid and binding sales contract between GSIS and GMC, which GSIS could not continue to ignore without any justifiable reason especially since GMC had already fully complied with its obligations. [11]

The Lapu-Lapu RTC found GSIS's invocation of COA's alleged disapproval of the sale belated and self-serving. The Lapu-Lapu RTC said that COA, in disapproving GSIS's sale of the subject lots to GMC, violated its own circular which excludes the disposal by a government owned and/or controlled corporation of its "acquired assets" (e.g., foreclosed assets or collaterals acquired in the regular course of business). [12] The Lapu-Lapu RTC also held that COA may not intrude into GSIS's charter-granted power to dispose of its acquired assets within five years from acquisition by "preventing/aborting the sale in question by refusing to pass it in audit." [13] Moreover, the Lapu-Lapu RTC held that the GSIS-proffered COA Memorandum was inadmissible in evidence not only because as a mere photocopy it failed to measure up to the "best evidence" rule under the Revised Rules of Court, but also because no one from COA, not even the auditor who supposedly prepared it, was ever presented to testify to the veracity of its contents or its due execution. [14]

In dismissing LLDHC's complaint-in-intervention, the Lapu-Lapu RTC held that LLDHC failed to prove its legal personality as a party-intervenor and all it was able to establish was a "suggestion of right for [GSIS] to renege [on] the sale for reasons peculiar to [GSIS] but not transmissible nor subject to invocation by [LLDHC]." [15]

LLDHC and GSIS filed their separate Notices of Appeal but these were dismissed by the Lapu-Lapu RTC on December 6, 1993. [16]

On May 10, 1994, the Manila RTC rendered a Decision [17] in Civil Case No. R-82-3429. The Manila RTC held that GSIS was unable to prove the alleged violations committed by LLDHC to warrant the foreclosure of the mortgage over the subject lots. Thus, the Manila RTC annulled the foreclosure made by GSIS and ordered LLDHC to pay GSIS the balance of its loan with interest, to wit:

WHEREFORE, judgment is hereby rendered:

1. ANNULING the foreclosure by the defendant GSIS of the mortgage over the seventy-eight (78) parcels of land here involved:

2. CANCELLING the consolidated certificates of [title] issued in the name

of GSIS and directing the Register of Deeds of Lapu-Lapu City to issue new certificates of [title] over those seventy-eight (78) parcels of land in the name of the plaintiff, in exactly the same condition as they were before the foreclosure;

3. ORDERING the plaintiff to pay the GSIS the amount of P9,200,000.00 with interest thereon at the rate of twelve (12%) percent per annum commencing from October 12, 1989 until fully paid; and

4. ORDERING defendant GSIS to execute a properly registrable release of discharge of mortgage over the parcels of land here involved after full payment of such amount by the plaintiff.

All claims and counterclaims by the parties as against each other are hereby dismissed.

No pronouncement as to costs. [18]

Armed with the Manila RTC decision, LLDHC, on July 27, 1994, filed before the Court of Appeals a Petition for Annulment of Judgment of the Lapu-Lapu RTC Decision in Civil Case No. 2203-L. [19] LLDHC alleged that the Manila RTC decision nullified the sale of the subject lots to GMC and consequently, the Lapu-Lapu RTC decision was also nullified.

This petition, docketed as **CA-G.R. SP No. 34696**, was dismissed by the Court of Appeals on December 29, 1994. [20] The Court of Appeals, in finding that the grounds LLDHC relied on were without merit, said:

In fine, there being no showing from the allegations of the petition that the respondent court is without jurisdiction over the subject matter and of the parties in Civil Case No. 2309 [2203-L], petitioner has no cause of action for the annulment of judgment. The complaint must allege ultimate facts for the annulment of the decision (*Avendana v. Bautista*, 142 SCRA 41). We find none in this case. [21]

No appeal having been taken by LLDHC, the decision of the Court of Appeals in CA-G.R. SP No. 34696 became final and executory on January 28, 1995, as stated in the Entry of Final Judgment dated August 18, 1995. [22]

On February 2, 1995, LLDHC filed before this Court a Petition for *Certiorari* [23] docketed as **G.R. No. 118633**. LLDHC, in seeking to annul the February 24, 1992 Decision of the Lapu-Lapu RTC, again alleged that the Manila RTC Decision nullified the Lapu-Lapu RTC Decision.

Finding the petition a mere reproduction of the Petition for Annulment filed before the Court of Appeals in CA-G.R. SP No. 34696, this Court, in a Resolution [24] dated September 6, 1996, dismissed the petition in this wise:

In a last ditch attempt to annul the February 24, 1992 Decision of the respondent court, this petition was brought before us on February 2, 1995.

Dismissal of this petition is inevitable.

The instant petition which is captioned, For: Certiorari With Preliminary Injunction, is actually another Petition for Annulment of Judgment of the February 24, 1992 Decision of the respondent Regional Trial Court of Lapu-lapu City, Branch 27 in Civil Case No. 2203-L. A close perusal of this petition as well as the Petition for Annulment of Judgment brought by the petitioner before the Court of Appeals in CA-G.R. SP No. 34696 reveals that the instant petition is a mere reproduction of the petition/complaint filed before the appellate tribunal for annulment of judgment. Paragraphs two (2) to eighteen (18) of this petition were copied verbatim from the Petition for Annulment of Judgment earlier filed in the court *a quo*, except for the designation of the parties thereto, *i.e.*, plaintiff was changed to petitioner, defendant to respondent. In fact, even the prayer in this petition is the same prayer in the Petition for Annulment of Judgment dismissed by the Court of Appeals, x x x.

x x x x

Under Section 9(2) of Batas Pambansa Blg. 129, otherwise known as "The Judiciary Reorganization Act of 1980," it is the Court of Appeals (then the Intermediate Appellate Court), and not this Court, which has jurisdiction to annul judgments of Regional Trial Courts, *viz*:

**SEC. 9. Jurisdiction** -- The Intermediate Appellate Court shall exercise:

x x x x

*(2) Exclusive original jurisdiction over actions for annulment of judgments of Regional Trial Courts; and*

x x x x

Thus, this Court apparently has no jurisdiction to entertain a petition which is evidently another petition to annul the February 24, 1992 Decision of the respondent Branch 27, Regional Trial Court of Lapu-lapu City, it appearing that jurisdiction thereto properly pertains to the Court of Appeals. Such a petition was brought before the appellate court, but due to petitioner's failure to nullify Judge Risos' Decision in said forum, LLDHC, apparently at a loss as to what legal remedy to take, brought the instant petition under the guise of a petition for *certiorari* under Rule 65 seeking once again to annul the judgment of Branch 27.

Instead of filing this petition for *certiorari* under Rule 65, which is essentially another Petition to Annul Judgment, petitioner LLDHC should