

## FIRST DIVISION

[ G.R. No. 156185, September 12, 2011 ]

**CATALINA B. CHU, THEANLYN B. CHU, THEAN CHING LEE B. CHU, THEAN LEEWN B. CHU, AND MARTIN LAWRENCE B. CHU, PETITIONERS, VS. SPOUSES FERNANDO C. CUNANAN AND TRINIDAD N. CUNANAN, BENELDA ESTATE DEVELOPMENT CORPORATION, AND SPOUSES AMADO E. CARLOS AND GLORIA A. CARLOS, RESPONDENTS.**

### DECISION

**BERSAMIN, J.:**

If two or more suits are instituted on the basis of the same cause of action, the filing of one or a judgment upon the merits in any one is available as a ground for the dismissal of the others.<sup>[1]</sup>

We review the decision promulgated on November 19, 2002,<sup>[2]</sup> whereby the Court of Appeals (CA) dismissed the petitioners' amended complaint in Civil Case No. 12251 of the Regional Trial Court, Branch 41, in San Fernando City, Pampanga (RTC) for being barred by *res judicata*.

#### Antecedents

On September 30, 1986, Spouses Manuel and Catalina Chu (Chus) executed a *deed of sale with assumption of mortgage*<sup>[3]</sup> involving their five parcels of land situated in Saguin, San Fernando City, Pampanga, registered under Transfer Certificate of Title (TCT) No. 198470-R, TCT No. 198471-R, TCT No. 198472-R, TCT No. 198473-R, and TCT No. 199556-R, all of the Office of the Registry of Deeds of the Province of Pampanga, in favor of Trinidad N. Cunanan (Cunanan) for the consideration of P5,161,090.00. They also executed a so-called *side agreement*, whereby they clarified that Cunanan had paid only P1,000,000.00 to the Chus despite the Chus, as vendors, having acknowledged receiving P5,161,090.00; that the amount of P1,600,000.00 was to be paid directly to Benito Co and to Security Bank and Trust Company (SBTC) in whose favor the five lots had been mortgaged; and that Cunanan would pay the balance of P2,561.90.00 within three months, with a grace period of one month subject to 3%/month interest on any remaining unpaid amount. The parties further stipulated that the ownership of the lots would remain with the Chus as the vendors and would be transferred to Cunanan only upon complete payment of the total consideration and compliance with the terms of the *deed of sale with assumption of mortgage*.<sup>[4]</sup>

Thereafter, the Chus executed a *special power of attorney* authorizing Cunanan to borrow P5,161,090.00 from any banking institution and to mortgage the five lots as security, and then to deliver the proceeds to the Chus net of the balance of the

mortgage obligation and the downpayment.<sup>[5]</sup>

Cunanan was able to transfer the title of the five lots to her name without the knowledge of the Chus, and to borrow money with the lots as security without paying the balance of the purchase price to the Chus. She later transferred two of the lots to Spouses Amado and Gloria Carlos (Carloses) on July 29, 1987. As a result, on March 18, 1988, the Chus caused the annotation of an *unpaid vendor's lien* on three of the lots. Nonetheless, Cunanan still assigned the remaining three lots to Cool Town Realty on May 25, 1989 despite the annotation.<sup>[6]</sup>

In February 1988, the Chus commenced Civil Case No. G-1936 in the RTC to recover the unpaid balance from Spouses Fernando and Trinidad Cunanan (Cunanans). Five years later, on April 19, 1993, the Chus amended the complaint to seek the annulment of the *deed of sale with assumption of mortgage* and of the TCTs issued pursuant to the deed, and to recover damages. They impleaded Cool Town Realty and Development Corporation (Cool Town Realty), and the Office of the Registry of Deeds of Pampanga as defendants in addition to the Cunanans.<sup>[7]</sup>

Considering that the Carloses had meanwhile sold the two lots to Benelda Estate Development Corporation (Benelda Estate) in 1995, the Chus further amended the complaint in Civil Case No. G-1936 to implead Benelda Estate as additional defendant. In due course, Benelda Estate filed its answer with a motion to dismiss, claiming, among others, that the amended complaint stated no cause of action because it had acted in good faith in buying the affected lots, exerting all efforts to verify the authenticity of the titles, and had found no defect in them. After the RTC denied its motion to dismiss, Benelda Estate assailed the denial on *certiorari* in the CA, which annulled the RTC's denial for being tainted with grave abuse of discretion and dismissed Civil Case No. G-1936 as against Benelda Estate. On March 1, 2001, the Court upheld the dismissal of Civil Case No. G-1936 in G.R. No. 142313 entitled *Chu, Sr. v. Benelda Estate Development Corporation*.<sup>[8]</sup>

On December 2, 1999, the Chus, the Cunanans, and Cool Town Realty entered into a *compromise agreement*,<sup>[9]</sup> whereby the Cunanans transferred to the Chus their 50% share in "all the parcels of land situated in Saguin, San Fernando, Pampanga" registered in the name of Cool Town Realty "for and in consideration of the full settlement of their case." The RTC approved the *compromise agreement* in a partial decision dated January 25, 2000.<sup>[10]</sup>

Thereafter, on April 30, 2001, the petitioners herein (*i.e.*, Catalina Chu and her children) brought another suit, Civil Case No. 12251, against the Carloses and Benelda Estate,<sup>[11]</sup> seeking the cancellation of the TCTs of the two lots in the name of Benelda Estate, and the issuance of new TCTs in their favor, plus damages.

The petitioners amended their complaint in Civil Case No. 12251 on February 4, 2002 to implead the Cunanans as additional defendants.<sup>[12]</sup>

The Cunanans moved to dismiss the amended complaint based on two grounds, namely: (a) bar by prior judgment, and (b) the claim or demand had been paid, waived, and abandoned. Benelda Estate likewise moved to dismiss the amended complaint, citing as grounds: (a) forum shopping; (b) bar by prior judgment, and

(c) failure to state a cause of action. On their part, the Carloses raised affirmative defenses in their answer, namely: (a) the failure to state a cause of action; (b) *res judicata* or bar by prior judgment; and (c) bar by statute of limitations.

On April 25, 2002, the RTC denied both motions to dismiss,<sup>[13]</sup> holding that the amended complaint stated a cause of action against all the defendants; that the action was not barred by *res judicata* because there was no identity of parties and subject matter between Civil Case No.12251 and Civil Case No. G-1936; and that the Cunanans did not establish that the petitioners had waived and abandoned their claim or that their claim had been paid by virtue of the *compromise agreement*, pointing out that the *compromise agreement* involved only the three parcels of land registered in the name of Cool Town Realty.<sup>[14]</sup>

The Cunanans sought reconsideration, but their motion was denied on May 31, 2002.<sup>[15]</sup>

On September 2, 2002, the Cunanans filed a petition for *certiorari* in the CA (SP-72558), assailing the RTC's denial of their motion to dismiss and motion for reconsideration.<sup>[16]</sup>

On November 19, 2002, the CA promulgated its decision,<sup>[17]</sup> granting the petition for *certiorari* and nullifying the challenged orders of the RTC. The CA ruled that the *compromise agreement* had ended the legal controversy between the parties with respect to the cause of action arising from the *deed of sale with assumption of mortgage* covering all the five parcels of land; that Civil Case No. G-1936 and Civil Case No.12251 involved the violation by the Cunanans of the same legal right under the *deed of sale with assumption of mortgage*; and that the filing of Civil Case No.12251 contravened the rule against splitting of a cause of action, and rendered Civil Case No.12251 subject of a motion to dismiss based on bar by *res judicata*. The CA disposed thusly:

WHEREFORE, premises considered, the present petition for certiorari is hereby GIVEN DUE COURSE and the writ prayed for, accordingly GRANTED. Consequently, the challenged Orders of the respondent court denying the motions to dismiss are hereby ANNULLED and SET ASIDE and a new one is hereby rendered DISMISSING the Amended Complaint in Civil Case No. 12251.

No costs.

SO ORDERED.<sup>[18]</sup>

Hence, this appeal.

### **Issue**

Was Civil Case No. 12251 barred by *res judicata* although the *compromise agreement* did not expressly include Benelda Estate as a party and although the *compromise agreement* made no reference to the lots now registered in Benelda

Estate's name?

## Ruling

We deny the petition for review.

### I

The petitioners contend that the *compromise agreement* did not apply or extend to the Carloses and Benelda Estate; hence, their Civil Case No. 12251 was not barred by *res judicata*.

We disagree.

A *compromise agreement* is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.<sup>[19]</sup> It encompasses the objects specifically stated therein, although it may include other objects by necessary implication,<sup>[20]</sup> and is binding on the contracting parties, being expressly acknowledged as a juridical agreement between them.<sup>[21]</sup> It has the effect and authority of *res judicata* upon the parties.<sup>[22]</sup>

In the construction or interpretation of a *compromise agreement*, the intention of the parties is to be ascertained from the agreement itself, and effect should be given to that intention.<sup>[23]</sup> Thus, the *compromise agreement* must be read as a whole.

The following pertinent portions of the *compromise agreement* indicate that the parties intended to thereby settle *all* their claims against each other, to wit:

1. That the defendants SPOUSES TRINIDAD N.CUNANAN and FERNANDO C.CUNANAN **for and in consideration of the full settlement of their case in the above-entitled case**, hereby TRANSFER, DELIVER, and CONVEY unto the plaintiffs all their rights, interest, benefits, participation, possession and ownership which consists of FIFTY (50%) percent share on all the parcels of land situated in Saguin, San Fernando Pampanga now registered in the name of defendant, COOL TOWN REALTY & DEVELOPMENT CORPORATION, as particularly evidenced by the corresponding Transfer Certificates of Titles xxx

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6. That the plaintiffs and the defendant herein are waiving, abandoning, surrendering, quitclaiming, releasing, relinquishing **any and all their respective claims against each other as alleged in the pleadings they respectively filed in connection with this case.**<sup>[24]</sup> (bold emphasis supplied)

The intent of the parties to settle *all* their claims against each other is expressed in the phrase *any and all their respective claims against each other as alleged in the pleadings they respectively filed in connection with this case*, which was broad