

FIRST DIVISION

[G.R. No. 165554, July 26, 2010]

**LAZARO PASCO AND LAURO PASCO, PETITIONERS, VS. HEIRS OF
FILOMENA DE GUZMAN, REPRESENTED BY CRESENCIA DE
GUZMAN- PRINCIPE, RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

No court should shield a party from compliance with valid obligations based on wholly unsubstantiated claims of mistake or fraud. Having refused to abide by a compromise agreement, the aggrieved party may either enforce it or regard it as rescinded and insist upon the original demand.

This Petition for Review on *Certiorari*^[1] assails the May 13, 2004 Decision^[2] of the Court of Appeals (CA) and its October 5, 2004 Resolution^[3] in CA-G.R. SP No. 81464 which dismissed petitioners' appeal and affirmed the validity of the parties' Compromise Agreement.

Factual Antecedents

The present petition began with a *Complaint for Sum of Money and Damages*^[4] filed on December 13, 2000 by respondents, the heirs of Filomena de Guzman (Filomena), represented by Cresencia de Guzman-Principe (Cresencia), against petitioners Lauro Pasco (Lauro) and Lazaro Pasco (Lazaro). The case was filed before the Municipal Trial Court (MTC) of Bocaue, Bulacan, and docketed as Civil Case No. MM-3191.^[5]

In their Complaint,^[6] herein respondents alleged that on February 7, 1997, petitioners obtained a loan in the amount of P140,000.00 from Filomena (now deceased). To secure the petitioners' loan, Lauro executed a chattel mortgage on his Isuzu Jeep in favor of Filomena. Upon her death, her heirs sought to collect from the petitioners, to no avail. Despite numerous demands, petitioners refused to either pay the balance of the loan or surrender the Isuzu Jeep to the respondents. Thus, respondents were constrained to file the collection case to compel the petitioners to pay the principal amount of P140,000.00 plus damages in the amount of 5% monthly interest from February 7, 1997, 25% attorney's fees, exemplary damages, and expenses of litigation.

Filomena's heirs, consisting of Avelina de Guzman-Cumplido, Cecilia de Guzman, Rosita de Guzman, Natividad de Guzman, and Cresencia de Guzman-Principe, authorized Cresencia to act as their attorney-in-fact through a Special Power of Attorney^[7] (SPA) dated April 6, 1999. The SPA authorized Cresencia to do the

following on behalf of the co-heirs:

- 1) To represent us on all matters concerning the intestate estate of our deceased sister, Filomena de Guzman;
- 2) To file cases for collection of all accounts due said Filomena de Guzman or her estate, including the power to file petition for foreclosure of mortgaged properties;
- 3) To do and perform all other acts necessary to carry out the powers hereinabove conferred.

During the pre-trial of the case on February 15, 2002, the parties verbally agreed to settle the case. On February 21, 2002, the parties jointly filed a Compromise Agreement^[8] that was signed by the parties and their respective counsel. Said Compromise Agreement, approved by the MTC in an Order^[9] dated April 4, 2002, contained the following salient provisions:

1. That [petitioners] admit their principal loan and obligation to the [respondents] in the sum of One Hundred Forty Thousand Pesos (P140,000.00) Philippine currency; in addition to the incidental and other miscellaneous expenses that they have incurred in the pursuit of this case, in the further sum of P18,700.00;

2. That, [petitioners] undertake to pay to the [respondents] their aforementioned obligations, together with attorney's fees equivalent to ten percentum (10%) of the total sum thereof, directly at the BULACAN OFFICE of the [respondents'] counsel, located at No. 24 Hornbill Street, St. Francis Subdivision, Bo. Pandayan, Meycauayan, Bulacan, WITHOUT NEED OF FURTHER DEMAND in the following specific manner, to wit:

P60,000.00 - to be paid on or before May 15, 2002

P10,000.00 - monthly payments thereafter, starting June 15, 2002 up to and until the aforementioned obligations shall have been fully paid;

3. That, provided that [petitioners] shall trulyly [sic] comply with the foregoing specifically agreed manner of payments, [respondents] shall forego and waive all the interests charges of 5% monthly from February 7, 1998 and the 25% attorney's fees provided for in Annex "AA" of the Complaint;

4. In the event of failure on the part of the [petitioners] to comply with any of the specific provisions of this Compromise Agreement, the [respondents] shall be entitled to the issuance of a "Writ of Execution" to enforce the satisfaction of [petitioners'] obligations, as mentioned in

paragraph 1, together with the 5% monthly interests charges and attorney's fees mentioned in paragraph 3 thereof.^[10]

Ruling of the Municipal Trial Court

Unfortunately, this was not the end of litigation. On May 2, 2002, petitioners filed a verified *Motion to Set Aside Decision*^[11] alleging that the Agreement was written in a language not understood by them, and the terms and conditions thereof were not fully explained to them. Petitioners further questioned the MTC's jurisdiction, arguing that the total amount allegedly covered by the Compromise Agreement amounted to P588,500.00, which exceeded the MTC's P200,000.00 jurisdictional limit. In an Order^[12] dated June 28, 2002, the MTC denied the motion; it also granted Cresencia's prayer for the issuance of a writ of execution. The writ of execution^[13] was subsequently issued on July 3, 2002. Petitioners' *Motion for Reconsideration and to Quash Writ/Order of Execution*^[14] dated August 1, 2002 was denied by the MTC in an Order^[15] dated September 5, 2002.

Undeterred, on October 10, 2002, petitioners filed a *Petition for Certiorari and Prohibition with Application for Temporary Restraining Order/Preliminary Injunction*^[16] before the Regional Trial Court (RTC) of Bocaue. The case was raffled to Branch 82,^[17] and docketed as Civil Case No. 764-M-2002. In their petition, petitioners argued that the MTC gravely abused its discretion in approving the Compromise Agreement because (1) the amount involved was beyond the jurisdiction of the MTC; (2) the MTC failed to ascertain that the parties fully understood the contents of the Agreement; (3) Cresencia had no authority to represent her co-heirs because Filomena's estate had a personality of its own; and (4) the Compromise Agreement was void for failure of the judge and Cresencia to explain the terms and conditions to the petitioners.

In their *Comment*^[18] dated October 29, 2002, respondents argued that (1) the principal claim of P140,000.00 was within the MTC's jurisdiction; and (2) the records reveal that it was the petitioners themselves, assisted by their counsel, who proposed the terms of the settlement, which offer of compromise was accepted in open court by the respondents. Thus, the Compromise Agreement merely reduced the parties' agreement into writing.

Ruling of the Regional Trial Court

The RTC initially granted petitioners' prayer for the issuance of a Temporary Restraining Order (TRO)^[19] on November 18, 2002, and later issued a preliminary injunction in an Order^[20] dated December 10, 2002, primarily on the ground that the SPA did not specifically authorize Cresencia to settle the case. However, Presiding Judge Herminia V. Pasamba later inhibited herself,^[21] so the case was re-raffled to Branch 6, presided over by Judge Manuel D.J. Siayngo.^[22] The grant of the preliminary injunction was thus reconsidered and set aside in an Order^[23] dated May 15, 2003. In the same Order, the RTC dismissed the petition and held that (1) the MTC had jurisdiction over the subject matter; (2) Cresencia was authorized to institute the action and enter into a Compromise Agreement on behalf of her co-

heirs; and (3) the MTC's approval of the Compromise Agreement was not done in a capricious, whimsical, or arbitrary manner; thus, petitioners' resort to *certiorari* under Rule 65 was improper. Petitioners' Motion for Reconsideration^[24] was denied,^[25] hence they sought recourse before the CA.

Ruling of the Court of Appeals

In its Decision^[26] dated May 13, 2004 and Resolution^[27] dated October 5, 2004, the CA dismissed petitioners' appeal, and held that:

- 1) the MTC had jurisdiction, since the principal amount of the loan only amounted to P140,000.00;
- 2) Cresencia was duly authorized by her co-heirs to enter into the Compromise Agreement;
- 3) Petitioners improperly sought recourse before the RTC through a Petition for *Certiorari* under Rule 65, when the proper remedy was a Petition for Relief from Judgment under Rule 38.

Issues

Before us, petitioners claim that, *first*, they correctly resorted to the remedy of *certiorari* under Rule 65; *second*, the RTC gravely erred in dismissing their Petition for *Certiorari* and Prohibition, when the matter under consideration was merely the propriety of the grant of the preliminary injunction; and *third*, that the SPA did not validly authorize Cresencia to enter into the Compromise Agreement on behalf of her co-heirs.

Our Ruling

We deny the petition.

The MTC had jurisdiction over the case.

It bears stressing that the question of the MTC's jurisdiction has not been raised before this Court; hence, petitioners appear to have admitted that the MTC had jurisdiction to approve the Compromise Agreement. In any event, it is beyond dispute that the Judiciary Reorganization Act of 1980, or *Batas Pambansa* (BP) *Blg.* 129,^[28] as amended by Republic Act No. 7691,^[29] fixes the MTC's jurisdiction over cases where "the demand does not exceed Two hundred thousand pesos (P200,000.00) *exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs.*"^[30] Thus, respondents' initiatory complaint, covering the principal amount of P140,000.00, falls squarely within the MTC's jurisdiction.

Petitioners properly resorted to the special civil action of certiorari.

On the first question, the CA held that the proper remedy from the MTC's Order approving the Compromise Agreement was a Petition for Relief from Judgment under Rule 38 and not a Petition for *Certiorari* under Rule 65. We recall that

petitioners filed a verified *Motion to Set Aside Decision* on May 2, 2002,^[31] which was denied by the MTC on June 28, 2002. This Order of denial was properly the subject of a petition for *certiorari*, pursuant to Rule 41, Section 1, of the Rules of Court:

Section 1. *Subject of Appeal* - An appeal may be taken from a judgment or final order that completely disposes of the case, or of a particular matter therein when declared by these Rules to be appealable.

No appeal may be taken from:

x x x x

(e) an order denying a motion to set aside a judgment by consent, confession or compromise on the ground of fraud, mistake or duress, or any other ground vitiating consent.

x x x x

In all the above instances where the judgment or final order is not appealable, the aggrieved party may file an appropriate special civil action under Rule 65.

From the express language of Rule 41, therefore, the MTC's denial of petitioners' Motion to Set Aside Decision could not have been appealed. Indeed, a decision based on a compromise agreement is immediately final and executory and cannot be the subject of appeal,^[32] for when parties enter into a compromise agreement and request a court to render a decision on the basis of their agreement, it is presumed that such action constitutes a waiver of the right to appeal said decision.^[33] While there may have been other remedies available to assail the decision,^[34] petitioners were well within their rights to institute a special civil action under Rule 65.

The Regional Trial Court rightly dismissed the petition for certiorari.

On the second issue, petitioners argue that the RTC, in reconsidering the order granting the application for writ of preliminary injunction, should not have gone so far as dismissing the main case filed by the petitioners. They claim that the issue in their application for writ of preliminary injunction was different from the issues in the main case for *certiorari*, and that the dissolution of the preliminary injunction should have been without prejudice to the conduct of further proceedings in the main case. They also claim that the RTC did not have the power to dismiss the case without requiring the parties to file memoranda.

These assertions are belied, however, by petitioners' own submissions.

Their arguments were exactly the same, whether relating to the preliminary or permanent injunction. Identical matters were at issue - the MTC's jurisdiction, petitioners' alleged vitiated consent, and the propriety of enforcing the Compromise Agreement. The reliefs sought, too, were the same, that is, the grant of an