

## THIRD DIVISION

[ G.R. No. 153420, April 16, 2008 ]

**PARAISO INTERNATIONAL PROPERTIES, INC., Petitioner, VS.  
COURT OF APPEALS and PEOPLE'S HOUSING LAND  
CORPORATION, Respondents.**

### D E C I S I O N

**NACHURA, J.:**

Assailed before the Court via a petition for *certiorari* under Rule 65 of the Rules of Court are the November 12, 2001<sup>[1]</sup> and the March 7, 2002<sup>[2]</sup> Resolutions of the Court of Appeals (CA) in CA-G.R. CV No. 71311.

The records reveal that on April 2, 1998 the parties submitted to the appellate court a 6-page undated Compromise Agreement<sup>[3]</sup> amicably settling all their pending cases -- CA-G.R. CV No. 71311, CA-G.R. SP No. 38197 (both pending with the Court of Appeals), and Civil Case No. P-962 (lodged with the Regional Trial Court of Balayan, Batangas).

The parties also submitted to the appellate court, as "Annex A" of the Compromise Agreement, a 2-page undated Deed of Assignment<sup>[4]</sup> executed by petitioner, represented by Hisahide Saito, transferring to Ryuji Nonoda and Ferdinand Belgica all the shares of stocks, paid-up, subscription rights and interests therein, including the right to represent the corporation in the pending cases. Hisahide Saito signed the deed as the representative of the outgoing management of petitioner, while Nonoda and Belgica, affixed their signatures as the assignees and as the representatives of petitioner's new management. Significantly, the acknowledgement portion of the deed had been crossed out.

Further submitted to the CA as "Annexes B and C" of the Compromise Agreement were, respectively, the Secretary's Certificate<sup>[5]</sup> confirming that the petitioner's board of directors authorized Hisahide Saito to negotiate, sign, endorse and deliver the Compromise Agreement to the respondent; and the Secretary's Certificate<sup>[6]</sup> proving that respondent's board of directors authorized J. Antonio Leviste and Atty. Cirilo A. Avila to enter into and execute a compromise agreement with petitioner.

Perceptive of the apparent formal defects in the agreement and the deed, the CA, on September 25, 1998, resolved to direct respondent to inform the court why the Compromise Agreement and the Deed of Assignment were undated; why there was no signature of the authorized representative of the new management; whether the signature/initial of the one representing respondent was that of J. Antonio Leviste; and why the acknowledgement in the Deed of Assignment was crossed out.<sup>[7]</sup>

As two years passed without any compliance with the said directive, the CA, on

August 8, 2000, resolved to require respondent's counsel to show cause why he should not be held in contempt for failing to comply, with the order, and reiterated the directive for him to comply with the said resolution.<sup>[8]</sup>

On November 12, 2001, the appellate court, in the first assailed resolution, disapproved the compromise agreement for respondent's failure to comply with the CA's resolutions.<sup>[9]</sup>

Petitioner subsequently filed its December 6, 2001 Manifestation/Motion<sup>[10]</sup> and its December 21, 2001 Supplemental Argument<sup>[11]</sup> explaining that the failure of respondent's counsel to comply with the resolutions of the court should neither prejudice nor defeat the duly executed compromise agreement of the parties; that, being a consensual contract, it was perfected upon the parties' meeting of the minds; and that judicial approval was not required for its perfection.

On March 7, 2002, the CA, in the second assailed resolution, denied petitioner's manifestation/motion on the ground that the compromise agreement was not exempt from the rules and principles of a contract, and for the parties' repeated refusal to explain to the appellate court the apparent flaws in the said agreement.<sup>[12]</sup>

Aggrieved, petitioner filed the instant Petition for *Certiorari*<sup>[13]</sup> raising the following errors:

1. COURT OF APPEALS GRAVELY ERRED AND ABUSED ITS DISCRETION AMOUNTING TO LACK OF OR IN EXCESS OF JURISDICTION IN DISAPPROVING THE COMPROMISE AGREEMENT, DESPITE THE FACT, THAT NONE OF THE PARTIES, PETITIONER OR PRIVATE RESPONDENT RAISED ANY QUESTION ON ITS VALIDITY OR AUTHENTICITY, NOR OBJECTED THERETO;
2. COURT OF APPEALS GRAVELY ERRED AND ABUSED ITS DISCRETION AMOUNTING TO LACK OF OR IN EXCESS OF JURISDICTION IN FAILING TO APPROVE THE COMPROMISE AGREEMENT, DESPITE THE FACT THAT THE INFORMATION REQUIRED IN ITS QUERIES DIRECTED AGAINST PRIVATE RESPONDENT PEOPLE'S HOUSING LAND CORPORATION'S COUNSEL ARE ALL IN FACT AVAILABLE, PRESENT OR EXTANT IN THE COMPROMISE AGREEMENT IT HAD DISAPPROVED.<sup>[14]</sup>

In its May 3, 2004 Memorandum,<sup>[15]</sup> petitioner explicated that the compromise agreement, indeed, has a date--November 1997, although it was signed by the parties on different dates, as indicated by the numerical notations beside their respective signatures; that the representatives of petitioner's new management, Nonoda and Belgica, also signed the agreement; that, the signature or the initial of Leviste, representing the respondent, is not questioned by the parties, thus, the same is a non-issue in the case; and that respondent's counsel even signed the agreement. Further, petitioner pointed out that the board of director's authorized both Leviste and the corporation's counsel to represent respondent in the negotiation and signing of the agreement. As to the deed of assignment, the petitioner certified that the crossing out of the acknowledgement should not affect

the deed because in the sale or assignment of shares of stocks, acknowledgement or notarization is not a requirement for the contract's validity. Likewise, the deed contains a date, 1998. In addition, petitioner stated that, the deed's authenticity or validity is confirmed by the Secretary's Certificate attesting to the fact that petitioner's board of directors authorized Saito to sign the compromise agreement with Nonoda and Belgica relative to the management and control of the corporation's affairs or activities.

Respondent, in its July 13, 2004 Memorandum,<sup>[16]</sup> manifested that it is adopting petitioner's memorandum.

The sole issue for the resolution of the Court is whether the appellate court gravely abused its discretion in when it disapproved the compromise agreement.

The petition is granted.

For a writ of *certiorari* to issue, the applicant must show that the court or tribunal acted with grave abuse of discretion in issuing the challenged order. Grave abuse of discretion is defined as such capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction. The abuse of discretion must be grave, as where the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and must be so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined by or to act at all in contemplation of law.<sup>[17]</sup>

In the instant case, the appellate court gravely abused its discretion in disapproving the compromise agreement for the simple reason that respondent did not comply with the CA's resolutions requiring it to explain the apparent formal defects in the agreement. The Court notes that the appellate court unnecessarily focused its attention on the defects in the form of the compromise agreement when these flaws in formality do not go into the validity of the parties' contract, and, more importantly, when none of the parties assails its due execution.

To elucidate, the absence of a specific date does not adversely affect the agreement considering that the date of execution is not an essential element of a contract.<sup>[18]</sup> A compromise agreement is essentially a contract perfected by mere consent, the latter being manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract.<sup>[19]</sup> The CA should have allowed greater laxity in scrutinizing the compromise agreement, not only because the absence of a specific date is a mere formal defect, but also because the signatories to the compromise indicated the date when they signed the agreement beside their signatures. These signatories are also sufficiently authorized to enter into a compromise by the respective board of directors of the petitioner and the respondent.<sup>[20]</sup> It is not amiss to state at this point that in *National Commercial Bank of Saudi Arabia v. Court of Appeals*,<sup>[21]</sup> we approved an undated compromise agreement.

The Court also finds as glaringly erroneous the CA's inquiry as to whether the new management of petitioner has signed the said compromise agreement. As aforesaid, the one authorized by petitioner's board of directors to sign the agreement is Saito, who indeed signed the same. Additionally, the representatives of the new

management, Nonoda and Belgica, also affixed their respective signatures in the agreement.

As to whether the signature/initial of respondent's representative is truly that of Leviste, suffice it to state that none of the parties assails the due execution of the compromise agreement and that the signature of Avila, the other representative authorized by the respondent's board of directors to enter into a compromise, is affixed in the agreement.

The crossing out of the acknowledgement portion of the deed of assignment attached to the compromise agreement is of no moment precisely because, as advanced by the parties, the notarization of the deed or even its execution<sup>[22]</sup> is not a requirement for the valid transfer of shares of stocks.<sup>[23]</sup> On the question why the deed is undated, again, the date is not essential for its validity. In any case, the execution of the deed of assignment and its annexation to the compromise agreement are a superfluity because, as aforesaid, petitioner's board of directors had authorized Saito to enter into the compromise agreement, he signed the same, and even the representatives of petitioner's new management likewise signed the agreement.

From the foregoing, our inevitable conclusion is that the CA acted with grave abuse of discretion when it disapproved the compromise agreement. However, rather than remand the case to the appellate court which will only further delay the lengthy litigation that the parties wish to end, we choose to act directly on the matter. Thus, on the basis of our finding that the compromise agreement is not contrary to law, public order, public policy, morals or good customs, the Court hereby approves the same.

**WHEREFORE**, premises considered, the petition is **GRANTED**. The assailed November 12, 2001 and March 7, 2002 Resolutions of the Court of Appeals in CA-G.R. CV No. 71311 are **ANNULLED AND SET ASIDE** for having been issued with grave abuse of discretion. The Compromise Agreement submitted by the parties on April 2, 1998 is hereby **APPROVED** and judgment is rendered in conformity with and embodying the terms and conditions mentioned in the said Compromise Agreement.

**SO ORDERED.**

*Ynares-Santiago (Chairperson), Austria-Martinez, Chico-Nazario, and Reyes, JJ., concur.*

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<sup>[1]</sup> Penned by Associate Justice Josefina Guevara-Salonga, with Associate Justices Godardo A. Jacinto and Eloy R. Bello, Jr. concurring; *rollo*, p. 38.

<sup>[2]</sup> *Id.* at 46-47.

<sup>[3]</sup> *Id.* at 20-25. The pertinent portions of the Compromise Agreement are as follows:

## **"Compromise Agreement**

"COME NOW the plaintiff-[a]ppellant PARAISO INTERNATIONAL PROPERTIES, INC. (PARAISO for brevity) and defendant-appellee PEOPLE'S HOUSING LAND CORPORATION (PEOPLE'S for brevity), duly assisted by their respective counsels, unto this Honorable Court of Appeals, most respectfully submit;

"1. Plaintiff-[a]ppellant and [d]efendant-[a]ppellee have mutually agreed that it is to their best interests to enter into an amicable settlement of all their cases, and to direct their efforts towards the development of a 'golf and mountain resort', which will redound to the benefit of the parties, the Province of Batangas, and its constituents; That this COMPROMISE AGREEMENT shall likewise apply to the other cases pending between the parties, especially Civil Case No. P-962 (RTC-Balayan, Batangas), C.A.-G.R. SP No. 38197 (Court of Appeals).

"2. Plaintiff-appellant's present management represented by Mr. Hisahide Saito (Saito for brevity) has agreed to assign all their shares of stocks, paid-up and subscription rights and interest therein (including the right to represent [p]laintiff corporation in the instant action) in favor of Messrs. Ryuji Nonoda and Ferdinand Belgica (NONODA and BELGICA for brevity) as evidenced by a duly executed Deed of Assignment, a copy of which is hereto attached as Annex "A" hereof. As represented by Saito, it is understood that the total authorized capital of [p]laintiff corporation has been fully subscribed to and totally paid up by all the stockholders and that no such Certificate of Stock is delinquent. It is further represented by Saito and understood by defendant that plaintiff corporation does not have any indebtedness with any person or entity whomsoever except the mortgage and promissory note mentioned herein. Defendant recognizes that this deed of assignment is for valuable consideration.

"3. For and in consideration of this Compromise Agreement, Paraiso, now represented by Nonoda and Belgica, shall pay People's, represented by J. Antonio Leviste, the following:

"a. P5 [m]illion upon signing of this Compromise Agreement;

"b. P30 [m]illion within a period of six months from execution hereof, the same to be paid by plaintiff from the proceeds of the sale of the [p]roprietary shares, to be sold by the corporation upon licensing thereof, by allocating 65% thereof for the purpose and 35% for development. Otherwise, the same shall be raised by the plaintiff thru other means. It is understood that the processing for SEC approval thereof maybe the abovesaid period of six months after which the sale of proprietary share may commence. However, if the same is delayed for reasons not attributable to plaintiff, the defendant agrees to extend the period for a reasonable length of time. Pending full compliance by NONODA and BELGICA of the same, they shall tender unto defendant J. Antonio Leviste physically