

## SECOND DIVISION

[ G.R. NO. 126236, January 26, 2007 ]

**DOMINGO REALTY, INC. AND AYALA STEEL MANUFACTURING CO., INC., PETITIONERS, VS. COURT OF APPEALS AND ANTONIO M. ACERO, RESPONDENTS.**

### DECISION

**VELASCO, JR., J.:**

*Good judgment comes from experience, and often experience comes from bad judgment.*

-- Rita Mae Brown

#### The Case

This Petition for Review on Certiorari, under Rule 45 of the Revised Rules of Court, seeks the reversal of the October 31, 1995 Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA-G.R. SP No. 33407, entitled *Antonio M. Acero v. Hon. Sofronio G. Sayo, et al.*, which annulled the December 7, 1987 Decision based on a Compromise Agreement among petitioner Domingo Realty, Inc. (Domingo Realty), respondent Antonio M. Acero, and defendant Luis Recato Dy in Civil Case No. 9581-P before the Pasay City Regional Trial Court (RTC), Branch CXI; and the August 28, 1996 Resolution<sup>[2]</sup> of the CA which denied petitioners' Motion for Reconsideration of its October 31, 1995 Decision.

#### The Facts

On November 19, 1981, petitioner Domingo Realty filed its November 15, 1981 Complaint<sup>[3]</sup> with the Pasay City RTC against Antonio M. Acero, who conducted business under the firm name A.M. Acero Trading,<sup>[4]</sup> David Victorio, John Doe, and Peter Doe, for recovery of possession of three (3) parcels of land located in Cupang, Muntinlupa, Metro Manila, covered by (1) Transfer Certificate of Title (TCT) No. (75600) S-107639-Land Records of Rizal; (2) TCT No. (67006) S-107640-Land Records of Rizal; and (3) TCT No. (67007) S-107643-Land Records of Rizal (the "subject properties"). The said lots have an aggregate area of 26,705 square meters, more or less, on a portion of which Acero had constructed a factory building for the manufacture of hollow blocks, as alleged by Domingo Realty.

On January 4, 1982, defendants Acero and Victorio filed their December 21, 1981 Answer<sup>[5]</sup> to the Complaint in Civil Case No. 9581-P. Acero alleged that he merely leased the land from his co-defendant David Victorio, who, in turn, claimed to own the property on which the hollow blocks factory of Acero stood. In the Answer, Victorio assailed the validity of the TCTs of Domingo Realty, alleging that the said TCTs emanated from spurious deeds of sale, and claimed that he and his predecessors-in-interest had been in possession of the property for more than 70

years.

On December 3, 1987, Mariano Yu representing Domingo Realty, Luis Recato Dy<sup>[6]</sup>, and Antonio M. Acero, all assisted by counsels, executed a Compromise Agreement, which contained the following stipulations, to wit:

1. That defendants admit and recognize the ownership of the plaintiff over the property subject of this case, covered by TCT No. S-107639 (75600), S-107643 (67007), and S-107640 (67006) with a total area of 26,705 square meters;
2. That defendant Luis Recato Dy admits and recognizes that his title covered by TCT No. 108027 has been proven not to be genuine and that the area indicated therein is inside the property of the plaintiff;
3. That defendant Acero admits that the property he is presently occupying by way of lease is encroaching on a portion of the property of the plaintiff and assume[s] and undertakes to vacate, remove and clear any and all structures erected inside the property of the plaintiff by himself and other third parties, duly authorized and/or who have an existing agreement with defendant Acero, and shall deliver said portion of the property of the plaintiff free and clear of any unauthorized structures, shanties, occupants, squatters or lessees within a period of sixty (60) days from date of signing of this compromise agreement. Should defendant Acero fail in his obligation to vacate, remove and clear the structures erected inside the property of the plaintiff within the period of 60 days aforementioned, plaintiff shall be entitled to a writ of execution for the immediate demolition or removal of said structure to fully implement this agreement; and ejectment of all squatters and occupants and lessees, including the dependents to fully implement this agreement;
4. That plaintiff admits and recognizes that defendant Luis Recato Dy bought and occupied the property in good faith and for value whereas defendant Acero leased the portion of said property likewise in good faith and for value hereby waives absolutely and unconditionally all claims including attorney's fees against both defendants in all cases pending in any court whether by virtue of any judgment or under the present complaint and undertake to withdraw and/or move to dismiss the same under the spirit of this agreement;
5. That defendants likewise waive all claims for damages including attorney's fees against the plaintiff;
6. That plaintiff acknowledges the benefit done by defendant Luis Recato Dy on the property by incurring expenses in protecting and preserving the property by way of construction of perimeter fence and maintaining a caretaker therein and plaintiff has agreed to pay Luis Recato Dy the amount of P100,000.00 upon approval of this agreement by this Honorable Court.<sup>[7]</sup>

Acting on the Compromise Agreement, the Pasay City RTC rendered the December 7, 1987 Decision which adopted the aforequoted six (6) stipulations and approved the Compromise Agreement.

To implement the said Decision, Domingo Realty filed its January 21, 1988 Motion<sup>[8]</sup> asking the trial court for permission to conduct a re-survey of the subject properties, which was granted in the January 22, 1988 Order.<sup>[9]</sup>

On February 2, 1988, respondent Acero filed his January 29, 1988 Motion to Nullify the Compromise Agreement,<sup>[10]</sup> claiming that the January 22, 1988 Order authorizing the survey plan of petitioner Domingo Realty as the basis of a resurvey would violate the Compromise Agreement since the whole area he occupied would be adjudged as owned by the realty firm.

On March 18, 1988, Acero filed a Motion to Resurvey,<sup>[11]</sup> whereby it was alleged that the parties agreed to have the disputed lots re-surveyed by the Bureau of Lands. Thus, the trial court issued the March 21, 1988 Order<sup>[12]</sup> directing the Director of Lands to conduct a re-survey of the subject properties.

In his June 9, 1989 Report, Elpidio T. De Lara, Chief of the Technical Services Division of the Lands Management Section of the National Capital Region - Department of Environment and Natural Resources, submitted to the trial court Verification Survey Plan No. Vs-13-000135. In the said Verification Survey Plan, petitioners' TCTs covered the entire land occupied by the respondent's hollow block factory.<sup>[13]</sup>

On April 10, 1990, petitioner Ayala Steel Manufacturing Co., Inc. (Ayala Steel) filed its March 30, 1990 Motion for Substitution alleging that it had purchased the subject lots, attaching to the motion TCT Nos. 152528, 152529, and 152530 all in its name, as proof of purchase.<sup>[14]</sup>

The said motion was opposed by Acero claiming that "this case has already been terminated in accordance with the compromise agreement of the parties, hence, substitution will no longer be necessary and justified under the circumstances."<sup>[15]</sup> The motion was not resolved which explains why both transferor Domingo Realty and transferee Ayala Steel are co-petitioners in the instant petition.

In its December 28, 1990 Order,<sup>[16]</sup> the trial court directed Acero to conduct his own re-survey of the lots based on the technical description appearing in the TCTs of Domingo Realty and to have the re-survey plans approved by the Bureau of Lands. The Order resulted from Acero's contention that he occupied only 2,000 square meters of petitioners' property.

Acero employed the services of Engr. Eligio L. Cruz who came up with Verification Survey Plan No. Vs-13-000185. However, when the said Verification Survey Plan was presented to the Bureau of Lands for approval, it was rejected because Engr. Cruz failed to comply with the requirements of the Bureau.<sup>[17]</sup>

On April 8, 1991, petitioners filed a Manifestation with Motion praying for the denial of respondent's Motion to Nullify the Compromise Agreement and for the approval of

Verification Survey Plan No. Vs-13-000135 prepared by Engr. Lara of the Bureau of Lands. The Pasay City RTC issued the December 6, 1991 Order<sup>[18]</sup> denying respondent Acero's Motion to Nullify the Compromise Agreement. As a consequence, petitioners filed a Motion for Execution on December 10, 1991.<sup>[19]</sup>

On January 6, 1992, respondent filed an undated Manifestation<sup>[20]</sup> claiming, among others, that it was on record that the Compromise Agreement was only as to a portion of the land being occupied by respondent, which is about 2,000 square meters, more or less. He reiterated the same contentions in his December 21, 1991 Manifestation.<sup>[21]</sup>

On January 13, 1992, respondent filed a Motion to Modify Order Dated 6 December '91,<sup>[22]</sup> claiming that the said Order modified the Compromise Agreement considering that it allegedly involved only 1,357 square meters and not the entire lot;<sup>[23]</sup> and if not amended, the Order would deviate from the principle that "no man shall enrich himself at the expense of the other."

In its January 15, 1992 Order,<sup>[24]</sup> the trial court approved the issuance of a Writ of Execution to enforce the December 7, 1987 Decision. On February 3, 1992, respondent Acero subsequently filed a Motion for Reconsideration<sup>[25]</sup> of the January 15, 1992 Order arguing that the Order was premature and that Verification Survey Plan No. Vs-13-000135 violated the Compromise Agreement.

On January 18, 1992, the Pasay City Hall was gutted by fire, destroying the records of the lower court, including those of this case. Thus, after reconstituting the records, the trial court issued the October 6, 1992 Order,<sup>[26]</sup> reiterating its January 15, 1992 Order and ordering the issuance of a Writ of Execution.

On October 23, 1992, respondent filed a Manifestation and Compliance,<sup>[27]</sup> alleging that Verification Survey Plan No. Vs-13-000185 had been approved by the Regional Director of the DENR; thus, he moved for the annulment of the October 6, 1992 Order granting the Writ of Execution in favor of petitioners.

Given the conflicting Verification Survey Plans of the parties, the trial court issued the October 11, 1993 Order<sup>[28]</sup> requiring the Bureau of Lands Director to determine which of the two survey plans was correct.

Subsequently, Regional Technical Director Eriberto V. Almazan of the Land Registration Authority issued the November 24, 1993 Order<sup>[29]</sup> cancelling Verification Survey Plan No. Vs-13-000185, submitted by Engineer Eligio Cruz, who was hired by respondent Acero, and declared Verification Survey Plan No. Vs-13-000135, submitted by Engineer Lara of the Bureau of Lands, as the correct Plan.

Thereafter, petitioners filed their January 12, 1994 Ex-parte Manifestation with Motion,<sup>[30]</sup> praying for the implementation of the Writ of Execution against the disputed lands, which was granted in the January 12, 1994 Order.<sup>[31]</sup>

Respondent's Motion for Reconsideration<sup>[32]</sup> of the January 12, 1994 Order was denied in the February 1, 1994 Order<sup>[33]</sup> of the Pasay City RTC.

Aggrieved, respondent Acero filed before the CA his February 23, 1994 Petition for Certiorari and Mandamus with Urgent Prayer for Issuance of a Temporary Restraining Order,<sup>[34]</sup> under Rule 65 of the Rules of Court, against petitioners and Judge Sofronio G. Sayo as presiding judge of the lower court. In the petition, respondent sought to nullify and set aside the RTC Orders dated December 6, 1991, January 15, 1992, October 6, 1992, January 12, 1994, and February 1, 1994, all of which pertain to the execution of the December 7, 1987 Decision on the Compromise Agreement. Significantly, respondent did not seek the annulment of said judgment but merely reiterated the issue that under the Compromise Agreement, he would only be vacating a portion of the property he was occupying.

### **The Ruling of the Court of Appeals**

On October 31, 1995, the CA promulgated the assailed Decision, the *fallo* of which reads:

IN VIEW OF THE FOREGOING, the petition for certiorari is **GRANTED** and the Orders of respondent court dated December 6, 1991, January 15, 1992, October 6, 1992, and January 12, 1994, and February 1, 1994 are **SET ASIDE**. In the interest of justice, and consistent with the views expressed by this Court, the Compromise Judgment dated December 7, 1987 of respondent court is likewise **SET ASIDE**. Respondent Court is likewise directed to proceed with the hearing of Civil Case No. 9581-P on the merits and determine, once and for all, the respective proprietary rights of the litigants thereto.

SO ORDERED.<sup>[35]</sup>

In discarding the December 7, 1987 Decision based on the Compromise Agreement, the appellate court ratiocinated that David Victorio, the alleged lessor of Acero, was not a party to the Compromise Agreement; thus, there would always remain the probability that he might eventually resurface and assail the Compromise Agreement, giving rise to another suit. Moreover, the CA found the Compromise Agreement vague, not having stipulated a mutually agreed upon surveyor, "who would survey the properties using as a basis, survey plans acceptable to both, and to thereafter submit a report to the court."<sup>[36]</sup>

Likewise, the CA sustained Acero's belief that he would only have to vacate a portion of the property he was presently occupying, which was tantamount to a mistake that served as basis for the nullification of the Compromise Agreement entered into.

On January 17, 1996, petitioners filed a Motion for Reconsideration<sup>[37]</sup> of the adverse Decision, which was consequently rejected in the CA's August 28, 1996 Resolution.

Thus, the instant petition is in our hands.

### **The Issues**

The issues as stated in the petition are as follows: