

SECOND DIVISION

[G.R. NO. 144732, February 13, 2006]

**ROLANDO LIMPO, PETITIONER, VS. COURT OF APPEALS AND
SECURITY BANK AND TRUST COMPANY, RESPONDENTS.**

DECISION

AZCUNA, J.:

For consideration in this petition for review are the resolutions of the Court of Appeals in CA-G.R. CV No. 45821 dated April 5, 2000 and August 30, 2000, respectively.

Both parties have accepted the factual account narrated by the Court of Appeals^[1] and have identically quoted the portion of the assailed decision pertaining thereto in their memoranda. Accordingly, the Court adopts said findings, which are reproduced as follows:

On November 11, 1980, plaintiff *Security Bank & Trust Company* filed a *complaint for a Sum of Money* with the Regional Trial Court of Pasig, Branch 158 entitled "Security Bank & Trust Company, plaintiff, - versus - Miguel F. Uy, Brigitte E. Uy and Rolando Limpo, defendants[.]" Plaintiff Bank sought to recover the outstanding balance of a promissory note executed by the defendants.

On February 1, 1983, defendants-spouses *Miguel F. Uy* and *Brigitte Uy* entered into a Compromise Agreement with plaintiff bank. On March 22, 1983, the trial court rendered decision, reproducing therein the *pertinent provisions of the Compromise Agreement* as follows:

"1. Defendant spouses admit liability to the plaintiff the said amount of P38,833.44 as of January 12, 1983;

2. Defendant spouses agree to pay the plaintiff the said amount of P38,833.44 with interest at the rate of 20% per annum with aforesaid interest rate computed based on declining balance, from January 12, 1983 in the following manner:

a) P4,644.00 on or before March 14, 1983 of which P500.00 shall be applied as attorney's fee; P144.00 the cost of suit, and the remaining balance to the outstanding loan obligation;

b) P4,000.00 each on or before the 15th day of each month commencing April 1983 until June 1, 1983;

c) P1,500.00 on or before the 15th day of each month commencing July 1983 until the balance and accruing interest thereon is fully paid.

3. In case of failure to pay any installment when due, the whole balance shall become due and payable, without necessity of demand and defendant spouses shall be assessed a default penalty of 3% per month until the obligation is fully paid. Moreover, plaintiff shall be entitled to a writ of execution upon ex-parte motion." (*RTC Decision, p. 1*)

When defendants failed to comply with the terms and conditions of the compromise agreement, plaintiff bank, on November 27, 1984, filed an *Ex-Parte Motion for the Issuance of Writ of Execution*. The motion not having been acted upon, plaintiff bank, on July 22, 1992, filed a *complaint for Revival of Judgment*.

The defendant-spouses, in their *Answer*, alleged as their defense laches, for failure of plaintiff bank to enforce its rights for more than eight (8) years. Defendant Limpo, on the other hand, alleged that "*he is not obligated to pay any amount to plaintiff under the said compromise agreement which was entered into only by and between plaintiff and defendant spouses Miguel F. Uy and Brigitte E. Uy without his knowledge and consent.*" (*Records, p. 31*)

On February 5, 1993, plaintiff bank filed a Motion for Judgment on the Pleadings alleging that defendants spouses' Answer failed to tender genuine issues. On April 20, 1993, the trial court issued an order against defendants spouses ordering them to pay plaintiff bank the amount of P38,833.44 with interest at the rate of 20% per annum computed from January 12, 1983 until the amount is fully paid. Defendant-spouses appealed this decision to the Court of Appeals, but said appeal was ordered dismissed by this Court's Special Fifth Division for defendants spouses' abuse of the extensions of time granted them, pursuant to *Section 1 (f) of Rule 50 of the Rules of Court (Rollo, p. 84)*.

Meanwhile, on June 30, 1993, defendant Limpo filed a Manifestation and Motion praying for the dismissal of the complaint on the ground that the judgment sought to be revived did not include defendant Limpo. After responsive pleadings were filed by the parties, the trial court issued an Order dated November 3, 1993 dismissing the complaint against defendant Limpo. This Order was reiterated by the trial court in the Order dated April 19, 1994 which likewise dismissed defendant Limpo's compulsory counterclaim.

Not satisfied with the Order of the trial court, plaintiff bank filed the appeal at bench.

Plaintiff-appellant *Security Bank & Trust Company* assails the Order of the trial court on the basis of the sole assigned error, to wit:

"THE LOWER COURT ERRED IN DISMISSING THE INSTANT
COMPLAINT AGAINST DEFENDANT-APPELLANT ROLANDO
LIMPO." (*Appellant's Brief*, p. 3)

At first, the Court of Appeals dismissed the appeal holding that the Compromise Agreement had superseded the promissory note executed between the payee Security Bank & Trust Company (the Bank) and the makers spouses Miguel F. Uy and Brigitte E. Uy (spouses Uy) and Rolando Limpo (Limpo). Limpo, inasmuch as he was never a party to the new agreement, was held to be not bound by its terms and, therefore, was no longer obligated to the Bank. Upon the Bank's motion for reconsideration, however, the Court of Appeals reversed itself and ordered the continuation of proceedings in Civil Case No. 62226 against Limpo.

In this petition, Limpo presents the following issues to be resolved:^[2]

1. Whether Rolando Limpo is bound under the Compromise Agreement entered into by Security Bank Corporation and defendants Miguel Uy and Brigitte Uy.
2. Whether Rolando Limpo is liable to Security Bank Corporation under the trial court's judgment dated March 22, 1983 which was based on the Compromise Agreement entered into by Security Bank and the defendants Miguel Uy and Brigitte Uy.
3. Whether the action by Security Bank against Rolando Limpo, as co-maker of defendants Miguel Uy and Brigitte Uy, [was] already barred by prescription when the action for revival of judgment was filed on July 22, 1992.

Anent the first two issues, Limpo takes for the negative. He maintains that the Compromise Agreement was executed without his participation and so the trial court's judgment based on compromise, by obvious consequence, did not and could not have included him as a judgment debtor. Under this circumstance, there would be no basis to include him as a defendant in a complaint for revival of judgment.

With respect to the second issue, Limpo answers in the affirmative. He avers that an action based on the promissory note, being a written contract, prescribes in ten years. Continuing from this premise, he computes that the right of action under the promissory note accrued when it became due and demandable on September 19, 1979 and was suspended upon institution of the action to collect on the note on November 11, 1980. By then, one year, one month and twenty-three days had elapsed. The period began to run again on March 22, 1983, when the judgment approving the Compromise Agreement was issued, and was tolled upon the filing of the complaint for revival of judgment on July 22, 1992. This next interval adds up to approximately nine years and four months. Add this to the first interval, the total period that had run would already be ten years and five months, making any suit on the promissory note barred by prescription.

The Court finds the petition meritorious.

It is settled that a compromise agreement cannot bind persons who are not parties to it.^[3] This rule is based on Article 1311(1) of the Civil Code which provides that