

FIRST DIVISION

[G.R. No. 132076, July 22, 2003]

**ROBERTO U. GENOVA, PETITIONER, VS. LEVITA DE CASTRO,
RESPONDENT.**

G.R. NO. 140989

**ROBERTO U. GENOVA, PETITIONER, VS. LEVITA DE CASTRO AND
THE HONORABLE COURT OF APPEALS, RESPONDENTS.**

D E C I S I O N

YNARES-SANTIAGO, J.:

These are consolidated petitions for review of the decisions of Court of Appeals in CA-G.R. SP Nos. 41521 and 48422.^[1]

Petitioner was the owner of a parcel of land located in Sta. Ana, Manila, containing an area of 399.6 square meters and registered in his name under Transfer Certificate of Title No. 172539 of the Register of Deeds of Manila. Sometime in 1989, petitioner ventured into the business of movie production. In order to finance his film project, he obtained a loan from respondent Levita de Castro for P1,000,000.00 with interest thereon at the rate of 5% per annum. By way of security for the loan, and as required by respondent, petitioner turned over his owner's duplicate certificate of title and signed blank sheets of paper with the understanding that their Deed of Mortgage will be printed thereon. Meanwhile, petitioner remained in possession of the property.

It appears that previously, petitioner had obtained a loan from the United Coconut Planters Bank secured by a real estate mortgage over the subject property. He defaulted in the payment of his obligations, whereupon the bank caused the extrajudicial foreclosure of the mortgage and purchased the property as the highest bidder at the sale at public auction.

Subsequently, respondent redeemed the property from UCPB and caused the cancellation of TCT No. 172539 on the strength of a purported deed of sale from petitioner. It turned out that instead of printing a Deed of Mortgage on the blank sheets of paper which petitioner had earlier signed, respondent caused to be printed thereon an "Absolute Deed of Sale of a Registered Land" in her favor. Thus, respondent obtained TCT No. 194123 in her name.^[2]

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Petitioner filed against respondent an action for Reformation of Contract, Reconveyance and Damages with the Regional Trial Court of Manila, Branch 25, which was docketed as Civil Case No. 90-54611. In the course of the proceedings,

the parties entered into a Compromise Agreement whereby they stipulated as follows:

1. Plaintiff [petitioner herein] acknowledges defendant's [respondent herein] having redeemed the property in question on November 12, 1991, subject of the Certificate of Sale dated September 29, 1990, and inscribed on the title thereof (TCT No. 194123 ind.) on November 12, 1990 under Entry No. 2422 in favor of UCPB Savings Bank.
2. Defendant has hereby acceded to the request of plaintiff to re-sell to him the property in question within a period of four (4) months from date of approval hereof at the agreed repurchase price corresponding to the total original purchase price of One Million and Sixty Thousand (P1,060,000.00) pesos, plus five (5%) percent agreed monthly interest to the tune of Fifty Three Thousand (P53,000.00) pesos, commencing from December 23, 1989, up to the time when plaintiff has finally exercised his right to buy back the property within the period stipulated above.
3. Plaintiff likewise has agreed to reimburse the defendant's redemption payment of Three Hundred Ninety Two Thousand and Eight Hundred (P392,800.00) pesos, to UCPB Savings Bank plus legal bank rate of interest accrued thereon and payments made corresponding to insurance premium in the total sum of EIGHTY ONE THOUSAND THREE HUNDRED NINETY SIX AND FIFTY NINE CENTAVOS (P81,396.59) PESOS; subject however, to presentation of supporting pertinent receipt.
4. As regards realty tax and transfer tax payments made by the defendant necessary for the transfer of TCT No. 172539 in her name, plaintiff has further agreed to reimburse defendant the fixed amount of One Hundred Fifty Five Thousand (P155,000.00) pesos, to be added to the repurchase price of the subject property.
5. Finally, defendant hereby recognized payment made by plaintiff on May 11, 1990 in the amount of One Million Two Hundred Thousand (Y1,200,000.00) yen, subject, however, to the prevailing conversion in Philippine Pesos;
6. In the event plaintiff fails to repurchase back the subject property within the period stipulated herein, he shall be deemed therefor to have irrevocably waived any further right, claim, or interest to the subject property in question and, thereafter, defendant shall be entitled to a Writ of Execution issued *ex-parte* to oust or eject plaintiff and all persons claiming right under him from the house built on the said property as well as from its premises.
7. By virtue of the agreement, the parties hereto authorized the Register of Deeds for the City of Manila to cancel or delete any and/or all annotations or liens and encumbrances on TCT No. 194123 ind., including, but not limited to the *lis pendens* caused to

be inscribed by the plaintiff which affect and/or involve the parties hereto.^[3]

The Compromise Agreement was approved by the trial court in a decision dated June 8, 1992.^[4]

Under the Compromise Agreement, petitioner was obligated to pay respondent the total amount of P3,332,196.59. He was able to pay only the sum of P2,287,000.00 within the four-month stipulated period. Thereafter, he tendered payment of the remaining balance of P1,045,196.59, but respondent refused to accept the same. On March 13, 1996, petitioner consigned with the trial court a check for the amount of the said remaining balance.

Respondent filed a motion for the issuance of a writ of execution of the compromise judgment dated June 8, 1992 on the ground that petitioner failed to pay the stipulated amount in full within the period agreed upon in the compromise agreement.^[5] In an Order dated March 4, 1998, the trial court denied the motion, upon a finding that the principal obligation had already been paid by petitioner and the unpaid balance represented the interest on the loan.^[6] Respondent filed a motion for reconsideration, which was denied in an Order dated May 15, 1998.^[7]

Hence, respondent filed a petition for certiorari with the Court of Appeals, which was docketed as CA-G.R. SP No. 48422. The petition was granted by the appellate court. The trial court was directed to issue the writ of execution prayed for by respondent.^[8]

Petitioner thus filed the instant petition for review, which was docketed as G.R. No. 140989, based on the following assignment of errors:

- I. THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN HOLDING THAT PETITIONER FAILED TO REPURCHASE THE SUBJECT PROPERTY FROM RESPONDENT DE CASTRO IN ACCORDANCE WITH THE COMPROMISE AGREEMENT BETWEEN THE PARTIES.
- II. THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN HOLDING THAT THE CONSIGNATION MADE BY PETITIONER WITH THE REGIONAL TRIAL COURT OF THE REMAINING BALANCE OF THE AGREED REPURCHASE PRICE WAS INVALID.
- III. EVEN ASSUMING FOR THE SAKE OF ARGUMENT THAT THE JUDICIALLY SANCTIONED COMPROMISE AGREEMENT BETWEEN PETITIONER AND RESPONDENT DE CASTRO WAS NOT COMPLIED WITH TO THE LETTER, THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN HOLDING THAT THERE WAS NO SUBSTANTIAL COMPLIANCE THEREOF BY SAID PETITIONER OF HIS OBLIGATION UNDER THE SAME.
- IV. THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN REVERSING THE COURT A *QUO'S* ORDER DENYING RESPONDENT DE CASTRO'S MOTION FOR ISSUANCE OF WRIT OF EXECUTION AS WELL AS THE ORDER DENYING SAID RESPONDENT'S SUBSEQUENT

MOTION FOR RECONSIDERATION OF THE ABOVE-MENTIONED
COURT A QUO'S ORDER.^[9]

More specifically, petitioner contends that the compromise agreement approved by the lower court partook of the nature of a *pacto de retro* sale. He argues that he may still pay even after the lapse of the four-month period agreed upon as long as no demand for rescission of the contract has been made upon him either judicially or by notarial act, citing Article 1592 of the Civil Code which states:

In the sale of immovable property, even though it may have been stipulated that upon failure to pay the price at the time agreed upon the rescission of the contract shall of right take place, the vendee may pay, even after the expiration of the period, as long as no demand for rescission of the contract has been made upon him either judicially or by notarial act. After the demand, the court may grant him a new term.

Petitioner also claims that the tender and consignment of the remaining balance of the purchase price before any demand for rescission was made constituted valid payment. He points out that the amount he was not able to pay within the stipulated period represented unconscionable interests on the loan, the imposition of which is contrary to public policy. Should reconveyance of the property be no longer feasible, petitioner prayed that the amount which he had paid to the respondent be returned to him based on the principle of *solutio indebiti*.

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On October 2, 1995, respondent filed a complaint for unlawful detainer against petitioner before the Metropolitan Trial Court of Manila, Branch 15, which was docketed as Civil Case No. 149540-CV. On March 21, 1996, a judgment was rendered in favor of respondent as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff [respondent herein] as against defendant [petitioner herein] ordering the latter and all persons claiming right under him to vacate and turn over the possession of the premises to the plaintiff; ordering the defendant to pay the amount of P40,000.00 as reasonable compensation of the premises from the time of demand to vacate until such time that defendant shall have finally vacated the premises; ordering defendant to pay plaintiff the sum of P10,000.00 as and for attorney's fees, plus costs of suit.

SO ORDERED.^[10]

Petitioner appealed the decision to the Regional Trial Court of Manila, Branch 31, where it was docketed as Civil Case No. 96-78041. On July 12, 1996, the Regional Trial Court rendered judgment reversing the decision of the Metropolitan Trial Court and dismissed the ejectment case pending the outcome of Civil Case No. 90-54611 (the reformation case).^[11]

Respondent filed a petition for review of the above decision before the Court of Appeals, which reversed the decision of the Regional Trial Court^[12] on the ground that inferior courts are not divested of jurisdiction over the unlawful detainer case

when the defendant sets up a claim of ownership over the litigated property.^[13]

Hence, the instant petition for review, raising the following assignment of errors:

1. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED WHEN IT OVERLOOKED THE FACT THAT CIVIL CASE NO. 90-54611 FOR REFORMATION, RECONVEYANCE AND DAMAGES FILED BY PETITIONER HEREIN WAS ALREADY FINAL AND EXECUTORY, THUS, BARRING THE INSTANT ACTION OF PRIVATE RESPONDENT ON THE GROUND OF *RES JUDICATA* AND FORUM SHOPPING;
2. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED WHEN IT FAILED TO APPRECIATE THAT PETITIONER IS THE REAL AND TRUE OWNER OF THE PROPERTY SUBJECT MATTER.^[14]

Petitioner argues that the judgment by compromise in the reconveyance case was a final judgment which barred the ejectment case filed by the respondent on the ground of *res judicata* and forum shopping.

Both petitions lack merit.

A compromise is an agreement between two or more persons who, for preventing or putting an end to a lawsuit, adjust their respective positions by mutual consent in the way they feel they can live with. Reciprocal concessions are the very heart and life of every compromise agreement, where each party approximates and concedes in the hope of gaining balance by the danger of losing. It is, in essence, a contract.^[15]

A compromise is binding and has the force of law between the parties, unless the consent of a party is vitiated - such as by mistake, fraud, violence, intimidation or undue influence - or when there is forgery, or if the terms of the settlement are so palpably unconscionable.^[16]

Under the compromise agreement executed between the parties, petitioner bound himself to pay respondent the aggregate amount of P3,332,196.59 as consideration for the reconveyance to him of the property.^[17] However, he failed to pay the said amount in full within the four-month period stipulated in the compromise agreement, counted from the date of approval thereof by the trial court. Thus, the provision contained in paragraph 6 of the compromise agreement came into play, to wit:

6. In the event plaintiff fails to repurchase back the subject property within the period stipulated herein, he shall be deemed therefor to have irrevocably waived any further right, claim, or interest to the subject property in question and, thereafter, defendant shall be entitled to a Writ of Execution issued *ex-parte* to oust or eject plaintiff and all persons claiming right under him from the house built on the said property as well as from its premises.^[18]

Petitioner argues that he should be allowed to pay the remaining balance even after the lapse of the four-month stipulated period considering that pursuant to Article 1592 of the Civil Code, a judicial or notarial act was necessary before the