

THIRD DIVISION

[G.R. No. 130381, July 14, 1999]

FRANCISCO HERRERA, REPRESENTED BY HEIRS OF FRANCISCO HERRERA, PETITIONER, VS. ATTY. AND MRS. PATERNO CANLAS, TOMAS AND MRS. MANINGDING, AND OSCAR AND MRS. PERLAS, RESPONDENTS.

D E C I S I O N

ROMERO, J.:

In this petition for *certiorari*, petitioner seeks the reversal of the decision of the Court of Appeals dated April 30, 1997 and its resolution dated August 25, 1997 affirming the dismissal by the trial court of petitioner's complaint for Reconveyance with Damages.

In G.R. No. 77691 entitled Paterno R. Canlas vs. Hon. Court of Appeals and Francisco Herrera which was promulgated on August 8, 1988, it was established that the late Francisco Herrera was the registered owner of eight (8) parcels of land located in Quezon City which he mortgaged in favor of L and R Corporation. The lots were later foreclosed by the financing company and Herrera, being unable to pay his loans and redeem his property, entered into an agreement with his lawyer, herein respondent Atty. Canlas. Under the Deed of Sale and Transfer of Rights of Redemption and/or to Redeem, Atty. Canlas was given the right to redeem the lots of his client. Having exercised the right of redemption over the lots in question, Atty. Canlas was able to register the properties in his name.

In 1983 Herrera filed in the Regional Trial Court of Quezon City an action for reconveyance and reformation of the contract, alleging that respondent Canlas fraudulently deprived him of his properties by falsifying the agreement they signed. During the pendency of the case, Canlas sold the properties to herein respondent spouses Maningding and spouses Perlas who were able to transfer the titles to their respective names. Only the lot covered by TCT No. 330674 remained in Canlas' name. The RTC ruled in favor of respondent Canlas and the dismissal of the complaint became final.

Undaunted, Herrera then filed for Annulment of Judgment with the Court of Appeals in answer to which Canlas filed a motion to dismiss on the ground of *res judicata* and other procedural issues. The Court of Appeals denied the motion to dismiss so Canlas went to this Court for relief. The Court agreed with Canlas as regards the procedural aspect of the case but rendered a decision against him on the merits. It invalidated the transfer of the properties to respondent Canlas on the ground that the transaction was one where the lawyer took undue advantage of his client. The Court, however, did not order the reconveyance of the subject lots, on the ground that since the properties have been conveyed to third persons who were presumed to be innocent purchasers for value, Canlas was instead held liable to Herrera, by

way of actual damages, for such loss of properties. Canlas was thus ordered to pay petitioner P1,000,000.00, the sum which Canlas earned from the properties he sold. Herrera, on the other hand, was held liable to Canlas for the amount of P654,000.00 representing the redemption price for the lots. The difference of P324,000.00 thus served as the actual amount Herrera obtained on execution.

In 1990, Herrera filed another case for reconveyance with damages in the RTC against herein respondent spouses Canlas, spouses Maningding, and spouses Perlas alleging that the respondents acquired the subject properties in bad faith. The trial court dismissed the complaint saying that Herrera, having accepted as final the decision of this Court awarding him actual damages instead of reconveyance and other damages, no longer had a cause of action against Canlas and his successors in interest. The Court of Appeals affirmed the decision of the RTC explaining that the Supreme Court, in writing *finis* to the controversy, presumed that the third persons who bought the lots from Canlas were innocent purchasers for value and it is for this reason that the High Court awarded Herrera actual damages instead of ordering reconveyance.

Hence, the heirs of Herrera filed the present petition. They now contend that the trial court and the Court of Appeals both erred in dismissing the case on the ground of *res judicata* because, (1) the parcel of land covered by TCT No. 330674 which is still in respondent Canlas' name is not covered by the aforesaid Supreme Court decision, and (2) there is no identity of parties in the present case and the previous one since the buyers, spouses Maningding and spouses Perlas, were not impleaded in the first case for reconveyance.

Respondent spouses Canlas and spouses Perlas filed their respective Comments but the spouses Maningding have not to date filed their Comment as their address is unknown and they could not be served a copy of the petition. Spouses Canlas averred that the petition for review was filed out of time and that the issues raised by the petitioner were already decided upon in G.R. No. 77691. For their part, spouses Perlas likewise interposed the defense of *res judicata*, claiming that although they were not actual parties in the previous case, they were nevertheless bound by the decision of the Court as successors in interest of Canlas with respect to the lots under litigation. Respondents Perlas further maintained that since Herrera received the value of the properties sold by Canlas, he cannot now ask for reconveyance for this smacks of bad faith and greed. Moreover, respondents Perlas added, if petitioner had felt aggrieved by the Court's finding that the third persons who bought the lots were innocent purchasers for value, he should have questioned such pronouncement instead of proceeding to execute upon his judgment claim.

As to the first issue regarding the lack of identity in the subject matter of the case, it should be noted that the award of P1,000,000.00 ordered by the Court in G.R. No. 77691 refers only to the value of the properties sold by respondent Canlas to third persons. To reproduce the holding of the Court:

"At any rate, the transfer, so we hold, is not subject to the injunction of Article 1491 of the Civil Code. But like all voidable contracts, it is open to annulment on the ground of mistake, fraud, or undue influence, which is in turn subject to the rights of innocent purchasers for value.

For this reason, we invalidate the transfer in question specifically for