

FIRST DIVISION

[G.R. No. 127683, August 07, 1998]

**LETICIA P. LIGON, PETITIONER, VS. COURT OF APPEALS AND
IGLESIA NI CRISTO, RESPONDENTS.**

DECISION

DAVIDE, JR., J.:

This petition, "as appeal under Rule 45 and at the same time as a special civil action for certiorari under Rule 65 of the Rules of Court," seeks to reverse the Decision^[1] of the Court of Appeals of 11 September 1996 in CA-G.R. SP No. 40258 and its Resolution^[2] of 3 January 1997 denying petitioner's motion for reconsideration of the Decision.

As far as could be gathered from the voluminous pleadings filed by the parties in this case and in CA-G.R. SP No. 40258, the factual antecedents are as follows:

Petitioner Leticia P. Ligon (hereafter LIGON) is the mortgagee in three deeds of mortgage covering two parcels of land located along Tandang Sora, Barangay Culiati, Quezon City, covered by Transfer Certificates of Title (TCT) Nos. 170567 (now RT-26521) and 176616 (now RT-26520) belonging to the Islamic Directorate of the Philippines (hereafter IDP). These deeds of mortgage were executed by certain Abdulrahman R.T. Linzag and Rowaida Busran-Sampaco on 21 March 1988, 25 April 1988, and 29 July 1988 as security for the loans of P3 million, P2 million, and P4 million, respectively, which IDP allegedly obtained from LIGON.^[3]

It must be pointed out that two groups had earlier vied for control of the IDP, namely, (1) the Carpizo group headed by Engr. Farouk Carpizo and (2) the Abbas group led by Zorayda Tamano and Atty. Firdaussi Abbas. In its decision of 3 October 1986 in SEC Case No. 2687, the Securities and Exchange Commission (SEC) declared null and void the election of both groups to the IDP Board of Trustees. Nevertheless, on 20 April 1989, the Carpizo group caused the signing of an alleged Board Resolution authorizing the sale of the two parcels of land mentioned above to private respondent Iglesia ni Cristo (hereafter INC). The sale was evidenced by a Deed of Absolute Sale^[4] dated 20 April 1989, wherein IDP and INC stipulated that the former would evict all squatters and illegal occupants in the two lots within forty-five (45) days from execution of the sale.

IDP failed to clear the lots of squatters; hence, on 19 October 1990 INC filed with the Regional Trial Court (RTC) of Quezon City a complaint for specific performance with damages, which was docketed as Civil Case No. Q-90-6937.

On 30 May 1991, IDP's original Board of Trustees headed by Senator Mamintal Tamano, or the Tamano group, filed a petition with SEC to annul the sale of the two lots to INC. The case was docketed as SEC Case No. 4012. On 5 July 1993, the SEC

promulgated its decision in SEC Case No. 4012 annulling, *inter alia*, the sale of the two parcels of land to INC. Aggrieved, INC filed a special civil action for *certiorari* before the Court of Appeals, which was docketed as CA-G.R. SP No. 33295. In its decision of 28 October 1994, the Court of Appeals granted INC's petition and set aside the portion of the SEC decision declaring the sale null and void. Consequently, the Tamano group appealed to this Court in a petition for review in G.R. No. 117897 entitled Islamic Directorate of the *Philippines v. Court of Appeals*.

Meanwhile, on 12 September 1991, the RTC rendered a partial judgment in Civil Case No. Q-90-6937; and on 7 October 1991, it rendered an amended partial judgment granting the reliefs prayed for by INC except the prayer for damages, which was to be resolved later.

On 31 October 1991, the INC filed with the RTC of Quezon City a complaint^[5] for the annulment of the deeds of mortgage over the two lots, impleading as defendants therein LIGON, Abdulrahman R.T. Linzag, Rowaida Busran-Sampaco, and the IDP. The case was docketed as Civil Case No. Q-91-10494. In its answer,^[6] IDP interposed a cross-claim against LIGON. On the other hand, LIGON filed an answer^[7] with counterclaim; a cross-claim against IDP; and a third-party complaint against Pablo de Leon, Guillermo Vina, and Aida Vina.

Later, LIGON filed a motion^[8] in Civil Case No. Q-91-10494 to declare INC and IDP in default for their failure to file an answer to her counterclaim and cross-claim, respectively. She further prayed that she be allowed to present evidence ex-parte. INC opposed^[9] the motion, saying that some of the grounds raised by LIGON in her counterclaim were sufficiently dealt with in INC's complaint, while the other grounds were in the nature of a compulsory counterclaim and did not therefore require an answer. On 30 September 1992, the trial court granted LIGON's motion and allowed LIGON to present evidence ex-parte to support her cross-claim against IDP.^[10]

Then, on 2 August 1995, LIGON filed in Civil Case No. Q-91-10494, an urgent motion^[11] for rendition of partial judgment against IDP in the cross-claim for the foreclosure of the mortgages. On 27 October 1995, the trial court rendered a partial judgment^[12] (1) ordering IDP to pay LIGON the amounts of P3 million, P2 million, and P4 million "with interest at 36% per annum compounded annually" from the dates the loans became due and demandable; and (2) directing the foreclosure sale of the mortgaged properties in case of non-payment of said amounts.

On 21 November 1995, INC filed a Motion for Reconsideration^[13] of the partial judgment, which was, however, denied by the trial court in its Order^[14] of 20 March 1996 on the following grounds:

. . . [T]he INC has no personality to seek a reconsideration of the partial judgment.

Firstly, the judgment involves a cross-claim in which INC is not a party; the right to appeal from a judgment or to move for a reconsideration thereof is a right inherent to the party in the cross-claim affected adversely by the judgment. Section 2, Rule 3 of the Rules of Court provides that a case shall be prosecuted and defended in the name of the

real party-in-interest. INC is not a party to the mortgages hence it is not a real party-in-interest to the foreclosure thereof.

. . .

Not being a party to the cross-claim, as indeed it cannot be being the plaintiff and cross-claim being a suit between co-parties, INC has no right to file the instant motion.

Secondly, INC is the plaintiff in this case that sued IDP. Thus, the interests of INC as plaintiff are adverse to or in conflict with those of IDP, a defendant. The plaintiff cannot take up the cudgels for an adverse party, the defendant.

Thirdly, the right of the INC to file this motion rests on its being a subsequent purchaser of the property or its being the new owner; thus, it claims it steps into the shoes of IDP. The right of IDP as a party to a case should be distinguished from its rights as owner-seller of the property, especially in this case where not only did INC sue IDP but IDP also chose not to exercise its right to move for a reconsideration of the partial judgment or to appeal therefrom.

More importantly, even assuming arguendo that INC is now the new owner of the mortgaged property, the fact remains that the sale to it on April 20, 1989, is admittedly after the execution of the real estate mortgages in 1988; the mortgages were registered in 1991 while the sale was never inscribed in the TCTs of the IDP. The INC is simply a subsequent buyer whose rights were explicitly defined in the case of *Limpin vs. IAC* (supra).

Finally, this Court has already ruled that INC is not a party to the mortgages and may have no right to question the validity thereof

Consequently, INC filed with the Court of Appeals a petition^[15] for certiorari with prayer for the issuance of a temporary restraining order to annul the aforementioned partial judgment and the order denying private respondent's motion for reconsideration. The case was docketed as CA-G.R. SP No. 40258.

In its decision^[16] of 11 September 1996 in CA-G.R. SP No. 40258, the Court of Appeals ruled in favor of INC and justified its ruling in this wise:

Technically, while the IDP can be declared in default for failure to file its answer to Ligon's counterclaim, and that Ligon's motion to present her evidence ex-parte against the IDP is not irregular, the respondent court should not have rendered a partial judgment based on the evidence presented by Ligon, without giving the INC an opportunity to present its evidence contra as well as to substantiate its allegations in the complaint that the mortgage contracts are null and void and of no binding force and effect.. .

. . .

Had respondent court, upon motion by respondent Ligon allowed her to introduce her evidence, and afterwards afforded the INC of the opportunity to be heard in its complaint to prove that the loans and the mortgages are invalid, such recourse could have prevented the most mischievous consequences in the administration of

justice to suitors, that of depriving one of his day in court -- the affording of an opportunity to be heard on the other.

. . .

We find sufficient basis to hold that respondent court committed grave abuse of discretion tantamount to lack or in excess of jurisdiction in rendering a partial judgment at that stage of the proceedings, the dispositive portion of which would even indicate that respondent Ligon was awarded more than what she prayed for...

We further find that respondent court exceeded its jurisdiction in rendering partial judgment in favor of respondent Ligon without first giving petitioner its day in court since the issues in the respective claims of the parties against each other are interrelated and inseparably intertwined with one another -- one maintains that the mortgages are null and void, while the other asks for foreclosure of the same mortgage contracts -- respondent court could have deferred disposition of one claim adverse to the claim of the other until the claim of both are heard and the parties afforded the opportunity to present their evidence in support of their opposing claim.

This decision prompted LIGON's "Urgent Motions to Vacate Null and Void Decision Dated September 11, 1996, Dismiss the Petition and/or for Reconsideration"^[17] and "Motion to Recuse Associate Justices Artemon D. Luna, Ramon A. Barcelona, and Salvador J. Valdez, Jr.,"^[18] which was accompanied by "Amended Urgent Motions to Vacate Null and Void Decision Dated September 11, 1996, Dismiss the Petition and/or for Reconsideration."^[19] These were denied by the Court of Appeals in its Resolution^[20] of 3 January 1997.

Undaunted by the foregoing adversities in CA-G.R. SP No. 40258, LIGON filed the instant petition on 27 February 1997. LIGON claims that respondent Court of Appeals (1) acted with grave abuse of discretion in refusing to order INC to implead or include IDP as an indispensable party in the petition for certiorari; (2) acted without jurisdiction in annulling the decision of the lower court; and (3) erred in not dismissing INC's petition because INC was not aggrieved by the trial court's decision and was guilty of forum-shopping.

LIGON asserts that IDP was an indispensable party in INC's action in CA-G.R. SP No. 40258 because IDP is "the mortgagor and defendant in the foreclosure suit instituted by petitioner Ligon before the lower court"; it has "such interest in the controversy that a final decree would necessarily affect its rights and interests"; and, "an action to annul a contract cannot be maintained without joining both contracting parties as defendants or respondents." Since IDP was not impleaded in said case, the petition should have been dismissed pursuant to Section 7, Rule 3 of the Rules of Court.^[21] The Court of Appeals, therefore, acquired no jurisdiction over the case; and its decision was a total nullity.

As to the second ground, LIGON claims that the Court of Appeals was powerless to annul the trial court's judgment because IDP was not a party in CA-G.R. SP No. 40258.

Regarding the third ground, LIGON asserts that INC was not aggrieved by the trial

court's decision because at no time was it a party to the action for foreclosure of the mortgages; moreover, INC did not show that it would suffer substantial injury or manifest injustice in case of foreclosure of the mortgages. She asserts that IDP was the aggrieved party, then tirelessly reiterates her argument that IDP should have been joined as petitioner or respondent in the certiorari proceeding.

As to forum-shopping, LIGON maintains that "both *litis pendentia* and *res judicata* [were] irrepressibly present and attendant" in INC's action before the appellate court. INC filed three actions, in all of which there was identity of (1) parties or interests represented, (2) right or causes, and (3) reliefs sought. Civil Case No. Q-90-6937 was for the enforcement of the stipulation in the Deed of Absolute Sale between INC and IDP obliging IDP to clear the properties sold of squatters. In Civil Case No. Q-91-10494, INC sought to stop the foreclosure of the mortgages. The third case was CA-G.R. SP. No. 40258, wherein the same relief was being sought by INC, that is, to enjoin the foreclosure of the mortgages. LIGON claims that the issues in the three cases were so intertwined that the resolution of any one would constitute *res judicata* in the others.

For its part, INC argues that IDP was not an indispensable party in CA-G.R. SP No. 40258. LIGON's reliance on Section 7, Rule 3 of the Rules of Court on compulsory joinder of indispensable parties is misplaced. INC contends that the rules on ordinary civil actions, including said Section 7, apply only suppletorily to special civil actions. Section 5, Rule 65 of the Rules of Court declares that the defendants in a special civil action for certiorari shall be the person or persons interested in sustaining the proceeding in court to be joined with the court or judge whose act or omission is being contested. It is "illogical and absurd" to argue that IDP is interested in defending the validity of an adverse partial judgment.

As regards LIGON's second ground, INC counters that the special civil action for certiorari was an independent action and not a continuation of the proceedings before the trial court. Thus, not all the parties in the case at the trial court could be included in the independent action for certiorari.

Anent the third ground, INC maintains that it was aggrieved by the foreclosure judgment because, being the new owner of the subject lots, it would suffer substantial injury and manifest injustice from the foreclosure of the mortgages. INC relies on Article 1609 of the Civil Code, which subrogates the vendee to the rights and actions of the vendor.

INC claims it did not engage in forum-shopping, as the cases it filed involved different issues. Civil Case No. Q-90-6937 involved the validity of the sale of the IDP properties to INC; Civil Case No. Q-91-10494, the validity of the mortgages; and CA-G.R. SP No. 40258, the validity of the partial judgment rendered by the trial court. The judgment in one case was not determinative of the issues in the other cases.

As to the trial court's declaration that IDP was in default, INC contends that the same was illegal, since IDP did not have to file an answer to LIGON's cross-claim pursuant to Section 4, Rule 18 of the Rules of Court.^[22]

INC further argues that LIGON'S cross-claim for foreclosure of the mortgages could not proceed ahead of the main action for annulment of said mortgages.