

Republic of the Philippines Supreme Court Manila

SECOND DIVISION

VILMA MACEDONIO,

Petitioner,

- versus -

Present:

G.R. No. 193516

CATALINA RAMO, YOLANDA S. MARQUEZ, SPOUSES ROEL and OPHELIA PEDRO, SPOUSES JOEFFRY and ELIZA BALANAG, and BPI FAMILY SAVINGS BANK, INC., *Respondents.*

CARPIO, *Chairperson*, BRION, DEL CASTILLO, PEREZ, *and* REYES,^{*} JJ.

Promulgated: MAR 2 4 2011 HUNCababyAnfocto

DECISION

DEL CASTILLO, J.:

In resolving whether to dismiss a case for violation of the rules covering certifications against forum-shopping, the courts should be mindful of the facts and merits of the case, the extant evidence, the principles of justice, and the rules of fair play. They should not give in to rigidity, indifference, indolence, or lack of depth.

This Petition for Review on *Certiorari*¹ seeks to set aside the July 20, 2010 Order² of the Regional Trial Court of Baguio City (Baguio RTC), Branch 6, in Civil Case No. 7150-R, entitled "Vilma Macedonio, Plaintiff, versus Catalina Ramo, Yolanda S. Marquez, Sps. Roel and Ophelia Pedro, Sps. Joeffry and Eliza Balanag, and BPI Family Savings Bank, Inc., Defendants," which dismissed Civil Case No. 7150-R with prejudice.

^{*} Per Special Order No. 1650 dated March 13, 2014.

¹ *Rollo*, pp. 13-38.

² Id. at 39-43; penned by Presiding Judge Cleto R. Villacorta III.

Factual Antecedents

<u>Civil Case No. 5703-R</u>

On January 6, 2004, Vilma Macedonio (petitioner) filed with the Baguio RTC a civil case for rescission of contract under Article 1191 of the Civil Code,³ with damages, against respondent Catalina Ramo (Ramo). Docketed as Civil Case No. 5703-R and assigned to Branch 3 of the Baguio RTC, the Complaint⁴ alleged that on October 29, 2003, petitioner and Ramo entered into an agreement for the purchase by petitioner of a 240-square meter portion of Ramo's 637-square meter unregistered lot located at Brgy. Sto. Rosario Valley, Baguio City (the subject property); that Ramo assured petitioner that the subject property was free from liens and encumbrances; that of the agreed ₽1,700,000.00 sale price, petitioner paid #850,000.00 as earnest money; that a "Deed of Sale with Mortgage to Secure Payment of Price" (October 29, 2003 deed of sale) was executed between the parties, and Ramo handed to petitioner a copy of the tax declaration covering the property, which indicated that it was subject to several liens and encumbrances, namely a) levy made in relation to a case before Branch 60 of the Baguio RTC and b) mortgage to ARGEM, a lending institution; that Ramo assured petitioner that she would clear the property of liens and encumbrances before petitioner pays the balance of the price on January 3, 2004 as stipulated in the October 29, 2003 deed of sale; that petitioner failed to clear the property of the ARGEM mortgage. Consequently, petitioner prayed that the October 29, 2003 deed of sale be rescinded and that she be awarded P850,000.00 actual damages, P50,000.00 moral damages, P25,000.00 exemplary damages, P25,000.00attorney's fees, and costs.

During the course of the proceedings, the parties mutually agreed to settle. Thus, the trial court set the case for further proceedings on November 11, 2005, but on said date, the parties were unable to submit a compromise agreement. As a result, the trial court in an Order⁵ of even date dismissed Civil Case No. 5703-R for failure to prosecute, to wit:

Although there is a motion to reset filed by Atty. Johnico Alim, the parties are supposed to submit to this Court the terms of settlement before this hearing considering this case is already more than a year and they have promised Much

³ Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with Articles 1385 and 1388 and the Mortgage Law.

Rollo, pp. 70-75.

Id. at 78; penned by Presiding Judge Fernando Vil Pamintuan.

in the last hearing that they will submit their compromise agreement. For failure to comply, this case is hereby dismissed for failure to prosecute.

IT IS SO ORDERED.6

Petitioner filed a motion for reconsideration. On June 8, 2006, the trial court issued another Order, 7 stating that –

Until the parties submit their Compromise Agreement, no incident will be taken up.

IT IS SO ORDERED.8

On August 16, 2006, the trial court issued still another Order,⁹ as follows:

Plaintiff is given until the end of this month of August, 2006 in order to substantiate her Motion for Reconsideration, it appearing that she has been given [since] November 24, 2005 up to the present, or for a period of almost NINE (9) MONTHS to do the same.

A resolution will be issued on September 4, 2006.

IT IS SO ORDERED.¹⁰

The September 4, 2006 hearing did not push through, as petitioner's counsel filed a motion to reset which the trial court granted and reset the case for hearing on October 23, 2006.

Meanwhile, it appears that Ramo was able to secure in her name a Sales Patent, and on October 16, 2006, a certificate of title (*Katibayan ng Orihinal na Titulo Blg.* P-3535¹¹ or OCT P-3535) over the subject property.

The trial court issued yet another Order¹² on October 23, 2006, *viz*:

This case is considered terminated.

IT IS SO ORDERED.¹³ ML of M

⁶ Id.

- ld.
- ⁹ Id.; Annex "N" of the Petition; no page has been assigned, but the Order is found on the page immediately following page 81.
 ¹⁰ Id.
- ¹⁰ Id.

¹¹ Id. at 83-84.

- ¹² Id. at 82.
- ¹³ Id.

⁷ Id. at 81.

In June 2007, Ramo caused the subject property to be subdivided into three lots,¹⁴ which she then transferred to herein respondents, spouses Roel and Ophelia Pedro (the Pedros), Yolanda S. Marquez (Marquez), and spouses Joeffry and Elisa Balanag (the Balanags). The transfer to the Pedros and Marquez were through Acknowledgment Trusts,¹⁵ whereby Ramo admitted that she was not the owner of the lots but merely held them in trust for the true owners – the Pedros and Marquez. On the other hand, the transfer of the remaining lot to the Balanags was through a deed of sale.¹⁶ No part of the subject property was transferred to petitioner.

On February 11, 2008, petitioner filed a Motion¹⁷ praying that the trial court issue an order directing the parties to comply with their oral agreement for Ramo to return petitioner's money – or the P850,000.00 advance she made. Ramo opposed the motion, arguing that the subject of the motion has become moot and academic for petitioner's failure to file a motion for reconsideration of the trial court's October 23, 2006 Order, and for failure of petitioner to comply with her obligation to pay the balance of the purchase price even after title to the property was presented in court. On the scheduled hearing of the motion, or on March 24, 2008, the trial court issued an Order¹⁸ stating –

Although this case is already terminated, there is nothing in the law to prevent the lawyers from exhorting their clients to comply with their obligations under an oral settlement.

IT IS SO ORDERED.¹⁹

On June 22, 2009, it appears that Ramo agreed in open court to pay petitioner and thus settle the case, whereupon the trial court issued an Order,²⁰ which reads as follows:

The parties have talked to each other in order for the plaintiff to be paid.

IT IS SO ORDERED.²¹

Thereafter, petitioner received a June 29, 2009 letter²² signed by Ramo and her counsel, admitting that Ramo received the total amount of P850,000.00 as downpayment for the subject property, but proposing to return to petitioner only *Mi Mi*

¹⁸ Id. at 114.

¹⁴ Id. at 86-88.

¹⁵ Id. at 89, 92.

¹⁶ Id. at 96-97.

¹⁷ Id. at 107-109.

¹⁹ Id.

²⁰ Id. at 129.

²² Id. at 130.

the amount of P255,000.00 within a period of four years, without interest.

In October 2009, petitioner's new counsel filed a Notice of Appearance with Manifestation and Motion²³ informing the court of Ramo's June 29, 2009 letter and offer, petitioner's refusal of the offer, and praying that the case be set for pre-trial since all efforts to settle the issues between the parties failed. Ramo opposed the same manifestation and motion, insisting that the case has been terminated.²⁴ The trial court did not act on petitioner's manifestation and motion; instead, it issued another Order²⁵ dated December 7, 2009, to wit:

Atty. Gregory F. Buhangin appeared on his Formal Manifestation.

IT IS SO ORDERED.²⁶

On February 2, 2010, an Entry of Judgment²⁷ was issued by the trial court, certifying that the October 23, 2006 Order – which declared that Civil Case No. 5703-R was already terminated – became final and executory on November 17, 2006.

Department of Environment and Natural Resources (DENR) Protest

On December 2, 2009, petitioner filed a written Protest²⁸ with the office of the Regional Executive Director of the DENR Cordillera Administrative Region, seeking an investigation into Ramo's acquisition of the subject property, and claiming that Ramo's sales patent was issued despite her having committed multiple violations of the law. Petitioner thus prayed for the DENR to 1) nullify Ramo's sales patent as well as the subsequent original certificate of title and its derivative titles issued in the name of the other individual respondents herein, and 2) allow her to bid and acquire the subject property claiming that she possessed the qualifications that would entitle her to become a beneficiary thereof.

It appears that to this date, no action has been taken on the protest.

<u>Civil Case No. 7150-R</u>

On April 21, 2010, petitioner filed with the Baguio RTC another civil case against respondents for specific performance, annulment of documents and titles, *MUOUU*

²³ Id. at 131, unpaginated.

²⁴ Id. at 134-136.

²⁵ Id. at 145.

²⁶ Id.

²⁷ Id. at 160.

²⁸ Id. at 146-159.

with damages. Docketed as Civil Case No. 7150-R and assigned to Branch 6, petitioner prayed in the Complaint²⁹ that the trial court: 1) rescind and nullify the trust and sale agreements between Ramo and the other individual respondents; 2) annul the certificates of title issued in favor of the Pedros, Marquez, and the Balanags; 3) annul the mortgage contract subsequently executed by and between the Balanags and respondent BPI Family Savings Bank, Inc. (BPI Family Bank) covering the portion sold to the former; 4) nullify the subdivision plan covering the property as it did not segregate the portion sold to petitioner, and thereafter order that a new subdivision plan be made to segregate the 240 square meters sold to petitioner; 5) in the alternative, rescind petitioner and Ramo's agreements and order a refund of petitioner's payments with interest; 6) award moral and exemplary damages in the total amount of P100,000.00.

Ramo filed her answer with motion to dismiss the case, claiming that in filing the case, petitioner violated the rule against forum-shopping since there had already been a prior terminated case (Civil Case No. 5703-R) and a pending Protest with the DENR. To this, petitioner filed her comment and opposition, arguing that since Civil Case No. 5703-R was not decided on the merits and no trial was conducted, Civil Case No. 7150-R is not barred.³⁰

On July 20, 2010, the trial court issued the assailed Order dismissing Civil Case No. 7150-R with prejudice due to: a) violation of Section 5, Rule 7 of the 1997 Rules of Civil Procedure³¹ (1997 Rules), that is, for failure to inform the court of the existence of Civil Case No. 5703-R and the DENR Protest; b) forum-shopping; and c) *litis pendentia* under Section 1(e), Rule 16 of the 1997 Rules.³² The trial court held that petitioner filed multiple cases based on the same cause of action, although with different prayers for relief; that while Civil Case No. 5703-R was for rescission and Civil Case No. 7150-R was for specific performance and *MAM*

Rule 16 – MOTION TO DISMISS

Section 1. Grounds. x x x x

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(e) That there is another action pending between the same parties for the same cause;

²⁹ Id. at 161-174.

³⁰ Id. at 39-40.

¹ Sec. 5. Certification against forum shopping.

The plaintiff or principal party shall certify under oath in the complaint or other initiatory pleading asserting a claim for relief, or in a sworn certification annexed thereto and simultaneously filed therewith: (a) that he has not theretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of his knowledge, no such other action or claim is pending therein; (b) if there is such other pending action or claim, a complete statement of the present status thereof; and (c) if he should thereafter learn that the same or similar action or claim has been filed or is pending, he shall report that fact within five (5) days therefrom to the court wherein his aforesaid complaint or initiatory pleading has been filed.

Failure to comply with the foregoing requirements shall not be curable by mere amendment of the complaint or other initiatory pleading but shall be cause for the dismissal of the case without prejudice, unless otherwise provided, upon motion and after hearing. The submission of a false certification or non-compliance with any of the undertakings therein shall constitute indirect contempt of court, without prejudice to the corresponding administrative and criminal actions. If the acts of the party or his counsel clearly constitute willful and deliberate forum shopping, the same shall be ground for summary dismissal with prejudice and shall constitute direct contempt, as well as a cause for administrative sanctions.

annulment of documents and titles, both cases are premised on the same cause of action – Ramo's purported wrongful conduct in connection with the cancelled sale of the subject property; that rescission and specific performance could not be prayed for in two separate cases without violating the rule against splitting a cause of action; and that the pending DENR Protest which seeks to nullify the sales patent and certificates of title issued to Ramo and the other individual respondents is identical to petitioner's cause of action in Civil Case No. 7150-R for annulment of documents and titles.

Petitioner moved to reconsider, but in an August 16, 2010 Order,³³ the trial court stood its ground. Thus, petitioner instituted this direct recourse.

In a July 29, 2013 Resolution,³⁴ the Court resolved to give due course to the Petition.

Issues

Petitioner raises the following issues coming to this Court:

The decision of the Honorable Regional Trial Court, Branch 6, Baguio City is sought to be reversed because the said court erred in its outright and undiscerning application of the sanction against forum[-]shopping in dismissing with prejudice the complaint filed by Petitioner. The court erred in ruling that Civil Case No. 5703-R, Civil Case No. 7150-R and the Protest case is (sic) founded on the same cause of action which is not in accord with the law or with the applicable decisions of the Supreme Court.

CIVIL CASE NO. 5703-R AND CIVIL CASE NO. 7150-R DOES (SIC) NOT INVOLVE THE SAME CAUSE OF ACTION

THE FILING OF CIVIL CASE NO. 7150-R WITH RTC, BRANCH 6 DOES NOT CONSTITUTE FORUM[-]SHOPPING

THE PROTEST CASE FILED BEFORE THE OFFICE OF THE DENR CONSTITUTES DIFFERENT CAUSE OF ACTION THUS LITIS [PENDENTIA] DOES NOT EXIST³⁵

Petitioner's Arguments

In her Petition and Reply,³⁶ petitioner maintains that the first case – or Civil ////ol/

³³ *Rollo*, pp. 55-58.

³⁴ Id. at 236-237.

³⁵ Id. at 27.

³⁶ Id. at 221-223.

Case No. 5703-R – cannot bar the filing of the second case – or Civil Case No. 7150-R, because while the first case was terminated, it was not tried on the merits, and was dismissed solely for failure of the parties to submit their compromise agreement. For this reason, petitioner argues that the dismissal of the first case without prejudice left the parties to freely litigate the matter in the second action as though the first case had not been commenced.³⁷

Next, petitioner concedes that while she failed to inform the trial court of the first case and her DENR Protest, it was not her intention to conceal the existence of these cases; she simply believed that the causes of action in the second case and the Protest were different from those in the first. Petitioner adds that the DENR Protest is not a proceeding that bars the second case she filed against Ramo, since it is not a judicial action and it involves a different cause of action, that is, reversion of the property due to Ramo's fraud and misrepresentation in filing her application for a sales patent, which does not affect the causes of action in Civil Case No. 7150-R.

Petitioner thus prays that the assailed dispositions of the trial court be reversed and that the case be remanded for further proceedings and trial on the merits.

Respondents' Arguments

Praying that the Petition be denied, the individual respondents in their Comment³⁸ plainly echo the assailed disquisition of the trial court, adding that petitioner's claim of good faith, omission, inadvertence or lapse in failing to mention the first case and her DENR protest is irrelevant and could not cure her violation of the 1997 Rules.

Respondent BPI Family Bank, on the other hand, argues in its Comment³⁹ that petitioner waived and relinquished her rights over the subject property by filing the action for rescission, or Civil Case No. 5703-R; this being the case, petitioner could only recover what she paid Ramo, which leaves Ramo's sale of a portion of the subject property to the Balanags valid and binding. Consequently, the mortgage executed between the Balanags and BPI Family Bank should not be disturbed as well. It adds that assuming petitioner has a cause of action to recover payments made to Ramo, she cannot seek specific performance of their sale agreement; by filing the rescission case first, petitioner waived her rights and is now precluded from resorting to an action for specific performance. Finally, it maintains that the trial court correctly dismissed Civil Case No. 7150-R on the ground of splitting a single cause of action.

³⁷ Citing Spouses Cruz v. Spouses Caraos, 550 Phil. 98 (2007).

³⁸ *Rollo*, pp. 182-192.

³⁹ Id. at 211-214.

Our Ruling

The Court grants the Petition.

The trial court in Civil Case No. 5703-R committed grave abuse of discretion in terminating or dismissing the case for failure of the parties to submit a compromise agreement. In Goldloop Properties, Inc. v. Court of Appeals,⁴⁰ the Court held that dismissing the action without allowing the parties to present evidence and after ordering them to compromise is tantamount to deprivation of due process, and the "dismissal of an action for failure to submit a compromise agreement, which is not even required by any rule, is definitely a harsh action."41 The Court likewise held therein that "the fact that negotiations for a compromise agreement persisted even up to the time of the dismissal of the case strongly demonstrates their earnest efforts to abide by the trial court's order to settle their dispute amicably";⁴² thus, "dismissing an action on account of the failure of the parties to compromise, would be to render nugatory the pronounced policy of the law to encourage compromises, and thus open the floodgates to parties refusing to agree upon an amicable settlement by simply railroading their opposing parties' position, or even defeating the latter's claim by the expedient of an outright dismissal."43

It is understandable why the trial court in Civil Case No. 5703-R should not have precipitately dismissed the case: petitioner sought a refund of her payments but evidently, Ramo was not willing to pay her. Thus, the compulsion for Ramo to pay what she owed could only come from the trial court, after trial on the merits is conducted. Indeed, even as Ramo made a judicial admission of her liability to petitioner – that is, in open court on June 22, 2009 – and an extrajudicial admission thereafter – *via* her June 29, 2009 letter which she and her counsel signed – she refuses to pay petitioner what she owes. It is thus clear that Ramo would by all means avoid all efforts at compromising the case in earnest, which should have prompted the court to enter trial and cancel all efforts at settlement, which Ramo used effectively to delay her final reckoning. Even as Ramo's actions patently revealed her intentions, the trial court in Civil Case No. 5703-R did not see through her stratagem.

For the same reasons, the Court finds that the dismissal of Civil Case No. 7150-R was unwarranted. It is true that while it was incumbent for petitioner to have informed the trial court of Civil Case No. 5703-R and the pending DENR Protest, this Court is inclined to forego petitioner's failure to abide by the requirements of the 1997 Rules regarding certifications against forum-shopping, in *MudW*

⁴¹ Id. at 508.

⁴³ Id.

⁴⁰ G.R. No. 99431, August 11, 1992, 212 SCRA 498.

⁴² Id.

favor of deciding the case on the basis of merit, seeing, as the Court does, that a rigid interpretation of the 1997 Rules would result in substantial injustice to petitioner. The circumstances require that substance must prevail over form, keeping in mind, as the Court has held countless times, that procedural rules are mere tools designed to facilitate the attainment of justice; their application should be relaxed when they hinder instead of promote substantial justice. Public policy dictates that court cases should as much as possible be resolved on the merits and not on technicalities.⁴⁴ Besides, "the Rules of Civil Procedure on forum shopping are not always applied with inflexibility."⁴⁵

More to the point, "the hallowed office and cardinal objective of the Rules [is] to provide, at each possible instance, an expeditious and full resolution of issues involving the respective rights and liabilities of the parties under substantive law."⁴⁶ "[T]he interests of truth and justice are better served where the court, giving due consideration to technical objections, goes deeper into the basic legal merits of the controversy and concentrates itself on the fundamental principles of fairness and square dealing which always outweigh technical considerations."⁴⁷

A lenient stance becomes imperative and more significant in light of respondents' further admission in their Comment, that:

ANTECEDENTS

Respondent CATALINA RAMO was the applicant under a Townsite Sales Application (TSA) with the Department of Environment and Natural Resources-Cordillera Administrative Region (DENR-CAR) for the award of a 637 square meters [sic] lot at Res. Sec. "A", Baguio City.

On November 29, 2003, before an award from the DENR-CAR was issued, she sold a portion of said land in the area of 240 square meters to Petitioner Vilma Macedonio for the sum of P1,700,000.00 paying a partial amount of P850,000.00.

The transaction between them was not consummated and for which reason, the Petitioner filed several cases against Respondent Catalina Ramo.⁴⁸ (Emphasis supplied)

In her pleadings, Ramo admitted and confessed her liability to petitioner: that to this day, she owes petitioner the amount of P850,000.00 as a result of the botched sale. A refund of the said amount is what petitioner prays for in the *Much*

 ⁴⁴ Mid-Islands Power Generation Corporation v. Court of Appeals, G.R. No. 189191, February 29, 2012, 667
 SCRA 342, 354-355; Aneco Realty and Development Corporation v. Landex Development Corporation, 582 Phil. 183, 193 (2008); Peñoso v. Dona, 549 Phil. 39, 46-47 (2007); Metro Rail Transit Corporation v. Court of Tax Appeals, 507 Phil. 539, 543-545 (2005); Al-Amanah Islamic Investment Bank of the Philippines v. Celebrity Travels and Tours, Inc., 479 Phil. 1041, 1052 (2004).

⁴⁵ London v. Baguio Country Club Corporation, 439 Phil. 487, 492 (2002).

⁴⁶ Spouses Valenzuela v. Court of Appeals, 416 Phil. 289, 300 (2001).

⁴⁷ People v. Fuentebella, 188 Phil. 647, 659-660 (1980).

⁴⁸ *Rollo*, pp. 182-183.

alternative in her Complaint in Civil Case No. 7150-R. At the very least, this is what she is entitled to, including interest and attorney's fees for having been compelled to litigate. The trial court in Civil Case No. 7150-R should appreciate petitioner's cause this much. Indeed, if the trial court felt at any point that the DENR Protest should substantially affect the outcome of the case before it and that it should give deference to the better judgment of the DENR, it could restrict itself to petitioner's alternative prayer for a refund.

In arriving at the foregoing conclusions, the Court took into consideration the evidence and Ramo's admissions that while she refuses to honor her obligations under the sale or at least return petitioner's money, she went on to subdivide and transfer or sell the property to other individuals, which is absolutely unfair if not perverse. Apparently, this injustice has been lost on the trial court, having decided the way it did by disregarding the basic facts and adhering to technicalities.

Given the foregoing, if justice is to be truly served, the trial court should not have dismissed Civil Case No. 7150-R.

Nonetheless, by filing a Protest with the DENR and claiming that Ramo is guilty of fraud and misrepresentation in filing her application for a sales patent, and prodding the DENR to initiate reversion proceedings so that she may apply for, bid, and acquire the property, petitioner is deemed to have admitted that Ramo is not the owner of the subject property, and was not so when the same was sold to her. This being the case, petitioner concedes that her purchase of the property is illegal as the same belongs to the State; thus, her only recourse is to obtain a refund of what she paid.

WHEREFORE, the Petition is GRANTED. Judgment is hereby rendered as follows:

1. The assailed July 20, 2010 and August 16, 2010 Orders of the Regional Trial Court of Baguio City, Branch 6, in Civil Case No. 7150-R are **SET ASIDE**;

2. The Regional Trial Court of Baguio City, Branch 6, is **ORDERED** to continue with the proceedings in Civil Case No. 7150-R.

SO ORDERED.

Madu contino

MARIANO C. DEL CASTILLO Associate Justice

WE CONCUR:

John Kays C

ANTONIO T. CARPIO Associate Justice Chairperson

Associate Justice

EREZ JO\$E Associate Justice

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BIENVENIDO L. REYES Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

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ANTONIO T. CARPIO Associate Justice Chairperson

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CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

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MARIA LOURDES P. A. SERENO Chief Justice

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