



Republic of the Philippines
 Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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FIRST DIVISION

**SPOUSES FIRMO S. ROSARIO
 AND AGNES ANNABELLE
 DEAN-ROSARIO,**

Petitioners,

G.R. No. 212731

Present:

- versus -

SERENO,* *C.J.*,
 LEONARDO-DE CASTRO,**
 DEL CASTILLO,
 PERLAS-BERNABE,*** *and*
 JARDELEZA, *JJ.*

PRISCILLA P. ALVAR,
Respondent.

Promulgated:
SEP 06 2017

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DECISION

DEL CASTILLO, J.:

“Under the doctrine of conclusiveness of judgment, facts and issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties, even if the latter suit may involve a different claim or cause of action.”¹

This Petition for Review on *Certiorari*² under Rule 45 of the Rules of Court assails the May 27, 2014 Decision³ of the Court of Appeals (CA) in CA-G.R. CV No. 98928.

Factual Antecedents

On separate dates in 1989, petitioner Agnes Annabelle Dean-Rosario (Agnes) borrowed from respondent Priscilla Alvar (Priscilla) a total of ₱600,000.00, secured by real estate mortgages over two parcels of land covered by

* On official leave.
 ** Acting Chairperson, per Special Order No. 2480 dated August 31, 2017.
 *** Per August 23, 2017 Raffle; vice Justice Noel Gimenez Tijam who recused from the case due to prior participation in the Court of Appeals.
¹ *Heirs of Tomas Dolleton v. Fil-Estate Management, Inc.*, 602 Phil. 781, 803 (2009).
² *Rollo*, pp. 18-40.
³ *Id.* at 545-556; penned by Associate Justice Mario V. Lopez and concurred in by Associate Justices Jose C. Reyes, Jr. and Socorro B. Inting.

Transfer Certificates of Title Nos. 167438 (residence of petitioner spouses Agnes and Firmo Rosario) and 167439 (a five-door rental apartment).⁴

In December 1990, the mortgages were discharged.⁵

On March 16, 1992 and July 17, 1992, Agnes executed two Deeds of Absolute Sale over the two lots in favor of Priscilla's daughter, Evangeline Arceo (Evangeline), for the amount of ₱900,000.00 each.⁶ Evangeline later sold the lots to Priscilla also for the price of ₱900,000.00 each.⁷

On April 27, 1994, Priscilla sent a demand letter to petitioner spouses Rosario asking them to vacate Lot 1.⁸ This prompted petitioner spouses Rosario to file before the Regional Trial Court (RTC) of Makati City a Complaint for Declaration of Nullity of Contract of Sale and Mortgage, Cancellation of Transfer Certificates of Title and Issuance of new TCTs with Damages, docketed as Civil Case No. 94-1797, against Priscilla.⁹ Petitioner spouses Rosario alleged that Priscilla deceived Agnes into signing the Deeds of Absolute Sale in favor of Evangeline, as Agnes merely intended to renew the mortgages over the two lots.¹⁰

Priscilla, in turn, filed with the RTC a Complaint for Recovery of Possession, docketed as Civil Case No. 96-135.¹¹ She claimed that she is the absolute owner of the subject lots and that Agnes sold the lots because she was in dire need of money.¹²

The cases were consolidated and on April 4, 2003, the RTC rendered a Decision granting Priscilla's complaint for recovery of possession while denying petitioner spouses Rosario's complaint for declaration of nullity of contract of sale.¹³ The dispositive portion of the Decision reads:

WHEREFORE, premises considered, Civil Case No. 94-1797 is ordered dismissed for lack of merit. Defendants' counterclaims are also ordered dismissed.

[Respondent] having proven her claim in Civil Case No. 96-135, [petitioner spouses Rosario] are hereby ordered to vacate the house and lot located at No. 2703 Apolinario corner General Capinpin Streets, Bangkal,

⁴ Id. at 545.

⁵ id.

⁶ id.

⁷ Id. at 546.

⁸ Id.

⁹ id.

¹⁰ id.

¹¹ id.

¹² id.

¹³ Id. at 526.



Makati City, covered by TCT No. 188995 and restore possession thereof to its rightful owner, [respondent].

SO ORDERED.¹⁴

On appeal, the CA reversed the April 4, 2003 Decision of the RTC. In its November 15, 2006 Decision,¹⁵ the CA ruled that although the transfers from Agnes to Priscilla were identified as absolute sales, the contracts are deemed equitable mortgages pursuant to Article 1602¹⁶ of the Civil Code.¹⁷ Thus, the CA disposed of the case in this wise:

In view of these, We resolve [petitioner spouses'] prayers in the following manner:

Anent their prayer for the issuance of new certificates of titles, We hold the cancellation of [petitioner Agnes'] title over the 2 lots was void. Titles to the subject lots, which had supposedly been transferred to [Evangeline] and later to [Priscilla], actually remained with [petitioner Agnes], as owner-mortgagor, conformably with the well-established doctrine that the mortgagee does not automatically become the owner of the mortgaged property as the ownership thereof remains with the mortgagor. Hence, it is not necessary for Us to order the issuance of new titles under the name of [petitioner Agnes]. Accordingly, TCT No. 167438 and TCT No. 167439 issued under the name of [petitioner Agnes] must be reinstated, while TCT No. 188920 and TCT No. 188995 issued in the name of [Priscilla] must be nullified.

Anent their prayer for the nullification of the Deeds of Absolute Sale and the Mortgage, We resolve to deny the same. Although the subject deeds of sale in favor of [Evangeline] were actually for mortgage, said type of simulation of contracts does not result in the nullification of the deeds but requires the reformation of the instrument, pursuant to Article 1365 of the Civil Code.

Moreover, as [petitioner spouses Rosario] admitted they mortgaged the 2 lots to [Priscilla] as security for the payment of their loans. Absent any proof that [petitioner spouses Rosario] had fully paid their loans to [Priscilla], [Priscilla] may seek the foreclosure of the 2 lots if [petitioner spouses Rosario] failed to pay their loans of P1.8 Million, the amounts appearing in the Deeds of Absolute Sale.

¹⁴ Id. at 526-527.

¹⁵ Id. at 522-537; penned by Associate Justice Noel G. Tijam (now a Member of this Court), and concurred in by Associate Justices Remedios A. Salazar-Fernando and Arturo G. Tayag.

¹⁶ Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

- (1) When the price of a sale with right to repurchase is unusually inadequate;
- (2) When the vendor remains in possession as lessee or otherwise;
- (3) When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed;
- (4) When the purchaser retains for himself a part of the purchase price;
- (5) When the vendor binds himself to pay the taxes on the thing sold;
- (6) In any other case where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.

In any of the foregoing cases, any money, fruits, or other benefit to be received by the vendee as rent or otherwise shall be considered as interest which shall be subject to the usury laws.

¹⁷ *Rollo*, pp. 536-537.

WHEREFORE, the Appeal is GRANTED. The assailed Decision dated April 4, 2003 of the Regional Trial Court of Makati City, Branch 150, in Civil Cases Nos. 94-1797 & 96-135, is hereby REVERSED and SET ASIDE.

A new one is hereby entered ordering the reinstatement of TCT No. 167438 and TCT No. 167439 issued under the name of [petitioner] Agnes Dean-Rosario and ordering the cancellation of TCT No. 188920 and TCT No. 188995 issued under the name of [Priscilla].¹⁸

Since the parties did not file a motion for reconsideration or an appeal, the CA Decision became final and executory.¹⁹

On October 17, 2007, Priscilla sent a letter to Agnes demanding the payment of her outstanding obligation amounting to ₱1.8 million.²⁰ Due to the failure or refusal of petitioner spouses Rosario to heed the demand, Priscilla filed before the RTC of Makati, Branch 148, a Complaint²¹ for Judicial Foreclosure of Real Estate Mortgage, docketed as Civil Case No. 07-997.²²

Petitioner spouses Rosario moved for the dismissal of the Complaint, but the RTC denied the same.²³

They then filed a Petition for *Certiorari* before the CA, docketed as CA-G.R. SP No. 107484, questioning the denial of their Motion to Dismiss.²⁴

On May 25, 2010, the CA rendered a Decision dismissing the Petition for lack of merit.²⁵

On September 5, 2011, the Supreme Court issued a Resolution denying the Petition for Review on *Certiorari* filed by petitioner spouses Rosario.²⁶

Meanwhile, on May 5, 2009, Priscilla filed a Motion to Declare Defendants in Default for the failure of petitioner spouses Rosario to file an answer within the reglementary period, which the RTC granted.²⁷



¹⁸ Id.
¹⁹ Id. at 547.
²⁰ Id. at 548.
²¹ Id. at 41-51.
²² Id. at 548.
²³ Id.
²⁴ Id. at 549.
²⁵ Id.
²⁶ Id.
²⁷ Id. at 549-550.

Ruling of the Regional Trial Court

On January 25, 2012, the RTC rendered a Decision²⁸ in favor of Priscilla, the dispositive portion of which reads:

WHEREFORE, premises considered, decision is hereby rendered ordering [petitioner] Spouses Firmo S. Rosario and Agnes Annabelle Dean-Rosario to pay the [respondent] Priscilla Alvar, jointly and severally, the following sums:

1. Php1,800,000.00 as the aggregate amount of [petitioner spouses Agnes and Firmo Rosario's] obligation to [Priscilla], plus 12% legal interest per annum from the time of demand on October 18, 2007 until the obligation is fully paid;
2. Php62,903.88 as reimbursement for payment of real property taxes due on the subject lots;
3. Php200,000.00 as attorney's fees and litigation expenses in the amount of Php200,000.00

All the above must be paid within a period of not less than ninety (90) days nor more than one hundred twenty (120) days from the entry of judgment. In default of such payment, the two (2) parcels of land covered by TCT Nos. 167438 and 167439 subject matter of the suit including its improvements shall be sold to realize the mortgage debt and costs, in the manner and under the regulations that govern sales of real estate under execution.

SO ORDERED.²⁹

Aggrieved, petitioner spouses Rosario appealed to the CA.

Ruling of the Court of Appeals

On May 27, 2014, the CA affirmed the January 25, 2012 Decision of the RTC with modification that: (1) the interest rate imposed shall be 6% per annum in accordance with Bangko Sentral ng Pilipinas (BSP) Circular No. 799, Series of 2013; and (2) the attorney's fees and litigation expenses shall be reduced to ₱50,000.00.³⁰



²⁸ Id. at 498-507 (last page of the Decision is missing).

²⁹ Id. at 550-551.

³⁰ Id. at 555.

Issues

Hence, petitioner spouses Rosario filed the instant Petition with the following issues:

I.

WHETHER THE HONORABLE [CA] COMMITTED GRAVE ABUSE OF DISCRETION IN HOLDING THAT A REFORMATION OF INSTRUMENT BETWEEN THE PARTIES IS NO LONGER NECESSARY DESPITE AN EARLIER RULING BY THE HONORABLE [CA] THAT REFORMATION IS REQUIRED ESPECIALLY BECAUSE:

- A) [Respondent] had no personality to file a complaint for judicial foreclosure. To allow this would violate the ruling of this Honorable Court in *Borromeo v. Court of Appeals*, 550 SCRA 269 and Article 1311 of the New Civil Code.
- B) The obligation of the petitioner [spouses Rosario] in the amount of ₱1,800,000.00 has no legal and factual basis.
- C) The original real estate mortgages between the parties have been cancelled or discharged. The alleged new Deeds of Sale to the daughter of the [respondent] are fake and simulated.

II.

WHETHER THE RULING OF THE [CA] IS CONTRARY TO THE CASE OF *GO V. BACARON*, 472 SCRA 339.

III.

WHETHER THE HONORABLE [CA] COMMITTED GRAVE ABUSE OF DISCRETION IN NOT HOLDING THAT A REFORMATION OF THE INSTRUMENTS CAN BE MADE PRIOR TO FORECLOSURE PROCEEDINGS (AS A RESULT OF THE RULING THAT THE CONTRACT BETWEEN THE PARTIES SHOULD BE TREATED AS AN EQUITABLE MORTGAGE).³¹

Simply put, the issue is whether the CA erred in dismissing the appeal.

Petitioner spouses Rosario's Arguments

Petitioner spouses Rosario contend that Priscilla had no legal personality to institute the judicial foreclosure proceedings as the Deeds of Absolute Sale, which were deemed equitable mortgages, were executed by them in favor of Evangeline, not Priscilla.³² They also claim that the obligation in the amount of ₱1.8 million has no legal and factual bases as the only loan they obtained was in the amount of 

³¹ Id. at 684-685.

³² Id. at 687-689.

₱600,000.00.³³ Lastly, they insist that before the subject lots can be judicially foreclosed, a reformation of the fake and simulated Deeds of Absolute Sale must first be done to enable them to present documentary and parol evidence.³⁴

Respondent's Arguments

Priscilla, on the other hand, maintains that she has a legal personality to institute the foreclosure proceedings pursuant to the November 15, 2006 Decision.³⁵ The indebtedness of petitioner spouses Rosario was also established in the said Decision, which has long attained finality.³⁶ She asseverates that the loan has not been paid and that the judicial foreclosure is not based on the old mortgages that have been discharged, but on the Deeds of Absolute Sale, which were considered as equitable mortgages in the November 15, 2006 Decision.³⁷ As to the reformation of the instruments, Priscilla asserts that there is no need for such reformation as the declaration in the November 15, 2006 Decision is sufficient.³⁸

Our Ruling

The Petition lacks merit.

There is conclusiveness of judgment as to the issues pertaining to the existence of the loan and the legal personality of Priscilla to file a case for judicial foreclosure.

At the outset, it must be pointed out that the November 15, 2006 Decision of the CA in CA-G.R. CV No. 81350, from which this case arose, has attained finality due to the failure of the parties to file a motion for reconsideration or an appeal. As such, the factual findings and conclusions in the November 15, 2006 Decision may no longer be disputed by petitioner spouses Rosario as *res judicata* by conclusiveness of judgment, which bars them from challenging the same issues.

Unlike *res judicata* by prior judgment, where there is identity of parties, subject matter, and causes of action, there is only identity of parties and subject matter in *res judicata* by conclusiveness of judgment.³⁹ Since there is no identity of cause of action, the judgment in the first case is conclusive only as to those

³³ Id. at 689-690.

³⁴ Id. at 690-698.

³⁵ Id. at 665-668.

³⁶ Id. at 668-670.

³⁷ Id. at 670-672.

³⁸ Id. at 672-674.

³⁹ *Heirs of Tomas Dolleton v. Fil-Estate Management Inc.*, supra note 1 at 802-803.

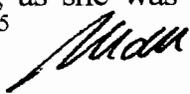
matters actually and directly controverted and determined.⁴⁰ Thus, there is *res judicata* by conclusiveness of judgment when all the following elements are present:

- (1) the judgment sought to bar the new action must be final;
- (2) the decision must have been rendered by a court having jurisdiction over the subject matter and the parties;
- (3) the disposition of the case must be a judgment on the merits; and
- (4) there must be as between the first and second action, identity of parties, but not identity of causes of action.⁴¹

In this case, all the elements are present: first, the November 15, 2006 Decision has attained finality; second, the said decision was rendered by a court having jurisdiction over the subject matter and the parties; third, the said decision disposed of the case on the merits; and fourth, there is, as between the previous case and the instant case, an identity of parties.

Since there is conclusiveness of judgment in this case, petitioner spouses Rosario are estopped from raising issues that were already adjudged in the November 15, 2006 Decision as “the dictum laid down in the earlier final judgment is conclusive and continues to be binding between the parties, their privies and successors-in-interest, as long as the facts on which that judgment was predicated continue to be the facts of the case or incident before the court in a later case x x x.”⁴² In short, “the binding effect and enforceability of that earlier dictum can no longer be re-litigated in a later case since the issue has already been resolved and finally laid to rest in the earlier case.”⁴³

Consequently, there is no need for Us to delve into the issues raised by petitioner spouses Rosario pertaining to the existence of the loan and the legal personality of Priscilla to file a case for judicial foreclosure as the November 15, 2006 Decision already established the existence of the loan in the amount of ₱1.8 million⁴⁴ and recognized the legal personality of Priscilla to foreclose the subject property, as she was the one who loaned spouses Rosario the amount of ₱1.8 million.⁴⁵



⁴⁰ Id. at 803.

⁴¹ *Navarette v. Manila International Freight Forwarders, Inc.*, G.R. No. 200580, February 11, 2015, 750 SCRA 414, 425-426.

⁴² *Degayo v. Magbanua-Dinglasan*, G.R. No. 173148, April 6, 2015, 755 SCRA 1, 12.

⁴³ Id. at 12-13.

⁴⁴ *Rollo*, pp. 532-537.

⁴⁵ Priscilla was “the one who paid for the ‘purchase price’ of the 2 lots at the time of their supposed sale to [her daughter, Evangeline].” Id. at 535.

The pronouncement in the November 15, 2006 Decision that the parties' intention was to execute an equitable mortgage is sufficient reformation of such instrument.

The only issue left for us to determine is whether a reformation of the contract is required before the subject lots may be foreclosed.

We rule in the negative.

Reformation of an instrument is a remedy in equity where a written instrument already executed is allowed by law to be reformed or construed to express or conform to the real intention of the parties.⁴⁶ The *rationale* of the doctrine is that it would be unjust and inequitable to allow the enforcement of a written instrument that does not express or reflect the real intention of the parties.⁴⁷

In the November 15, 2006 Decision, the CA denied petitioner spouses' Complaint for declaration of nullity of contract of sale on the ground that what was required was the reformation of the instruments, pursuant to Article 1365⁴⁸ of the Civil Code.⁴⁹ In ruling that the Deeds of Absolute Sale were actually mortgages,⁵⁰ the CA, in effect, had reformed the instruments based on the true intention of the parties. Thus, the filing of a separate complaint for reformation of instrument is no longer necessary because it would only be redundant and a waste of time.

Besides, in the November 15, 2006 Decision, the CA already declared that absent any proof that petitioner spouses Rosario had fully paid their obligation, respondent may seek the foreclosure of the subject lots.⁵¹

In view of the foregoing, we find no error on the part of the CA in ruling that a separate action for reformation of instrument is no longer necessary as the declaration in the November 15, 2006 Decision that the parties' intention was to execute an equitable mortgage is sufficient reformation of such instrument.

WHEREFORE, the Petition is hereby **DENIED**. The assailed May 27, 2014 Decision of the Court of Appeals in CA-G.R. CV No. 98928 is hereby **AFFIRMED**.

⁴⁶ *Rosello-Bentir v. Hon. Leanda*, 386 Phil. 802, 811 (2000).

⁴⁷ *Id.* at 805-806.

⁴⁸ Article 1365. If two parties agree upon the mortgage or pledge of real or personal property, but the instrument states that the property is sold absolutely or with a right of repurchase, reformation of the instrument is proper.

⁴⁹ *Rollo*, p. 536.

⁵⁰ *Id.*

⁵¹ *Id.* at 537.

SO ORDERED.

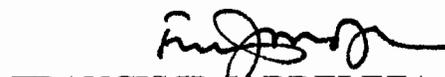

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

(On official leave)
MARIA LOURDES P. A. SERENO
Chief Justice


TERESITA J. LEONARDO-DE CASTRO
Associate Justice


ESTELA M. PERLAS-BERNABE
Associate Justice


FRANCIS H. JARDELEZA
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.


TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting 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.



ANTONIO T. CARPIO
*Acting Chief Justice*⁵²



⁵² Per Special Order No. 2479 dated August 31, 2017.