

Republic of the Philippines Supreme Court Manila

FIRST DIVISION

ROSARIO ENRIQUEZ VDA. DE SANTIAGO, G.R. No. 225309

Petitioner,

- versus -

ANTONIO T. VILAR, Respondent.

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GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), Petitioner, G.R. No. 225546

Present:

SERENO, C.J., Chairperson,* LEONARDO-DE CASTRO,** DEL CASTILLO, JARDELEZA, and TIJAM, JJ.

- versus -

Promulgated:

ANTONIO T. VILAR, Respondent.

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" Designated Acting Chairperson, First Division per Special Order No. 2540 dated February 28, 2018.

^{*} On Leave.

DECISION

TIJAM, J.:

Before this Court is a consolidated Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, assailing the Decision² dated February 10, 2014 and Amended Decision³ dated June 17, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 117439, filed by petitioner Rosario Enriquez Vda. de Santiago (Rosario) and petitioner Government Service Insurance System (GSIS).

Facts of the Case

Spouses Jose C. Zulueta and Soledad Ramos (Spouses Zulueta), registered owners of several parcels of land covered by Transfer Certificate of Title (TCT) Nos. 26105, 37177 and 50356 (mother titles), obtained various loans secured by the mother titles from the GSIS. The amount of loans, with the accumulated value of ₱3,117,000.00 were obtained from September 1956 to October 1957.⁴

From the records, the lot covered by Transfer Certificate of Title (TCT) No. 26105 was divided into 199 lots. Under the first mortgage contract, 78 of these lots were excluded from the mortgage.⁵

When Spouses Zulueta defaulted in their payment, GSIS extrajudicially foreclosed the mortgages in August 1974 wherein the latter emerged as the highest bidder. A certificate of sale was then issued. GSIS, however, consolidated its title on all of the three mother titles, including the 78 lots which were expressly excluded from the mortgage contract.⁶

Later, GSIS sold the foreclosed properties to Yorkstown Development Corporation (YDC). The same, however, was disapproved by the Office of the President. Accordingly, the TCTs issued in favor of YDC were canceled.⁷

When GSIS reacquired the properties sold to YDC, it began to dispose the foreclosed lots, including those not covered by the foreclosure sale.⁸

³ 1d. at 39-48.

⁵ Id.

7 Id. ⁸ Id.

¹ Rollo (G.R. No. 225309), pp. 51-94; rollo (G.R. No. 225546), pp. 11-57.

² Rollo (G.R. No. 225309), pp. 15-37.

⁴ Id. at 16.

⁶ Id.

Thereafter, Spouses Zulueta were succeeded by Antonio Zulueta (Antonio), who transferred all his rights and interests in the excluded lots to Eduardo Santiago (Eduardo). Claiming his rights and interests over the excluded lots, Eduardo, through his counsel, sent a letter to GSIS for the return of the same.⁹

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In May 1990, Antonio, as represented by Eduardo, filed an Action for Reconveyance of the excluded lots against the GSIS. Subsequently, Antonio was substituted by Eduardo. Upon Eduardo's demise, however, he was substituted by his widow, herein petitioner Rosario.¹⁰

In a Decision¹¹ dated December 17, 1997, the Regional Trial Court (RTC) of Pasig City, Branch 71, ordered GSIS to reconvey to Rosario the excluded lots or to pay the market value of said lots in case reconveyance is not possible. The Registry of Deeds of Pasig City was likewise ordered to cancel the titles covering the excluded lots issued in the name of GSIS. The dispositive portion thereof reads:

WHEREFORE, judgment is hereby rendered in favor of [Rosario] and against [GSIS]:

1. Ordering defendant to reconvey to [Rosario] the seventy-eight (78) lots released and excluded from the foreclosure sale including the additional exclusion from the public sale, namely:

- a. Lot Nos. 1, 6, 7, 8, 9, 10 and 13, Block I (Old Plan).
- b. Lot Nos. 1, 3, 4, 5, 7, 8, 10, Block II (Old Plan).
- c. Lot Nos. 3, 10, 12 and 13, Block I (New Plan), Block III (Old Plan).
- d. Lot Nos. 7, 14 and 20, Block III (New Plan), Block V (Old Plan).
- e. Lot Nos. 13 and 20, Block IV (New Plan), Block VI (Old Plan).
- f. Lot Nos. 1, 2, 3 and 10, Block V (New Plan), Block VII (Old Plan).
- g. Lot Nos. 1, 5, 8, 15, 26 and 27, Block VI (New Plan), Block VIII (Old Plan).
- h. Lot Nos. 7 and 12, Block VII (New Plan), Block II (Old Plan).
- i. Lot Nos. 1, 4 and 6, Block VIII (New Plan), Block X (Old Plan).
- j. Lot 5, Block X (New Plan), Block XIII (Old Plan).
- k. Lot 6, Block XI (New Plan), Block XII (Old Plan).
- 1. Lots 2, 5, 12 and 15, Block I.
- m. Lots 6, 9 and 11, Block 2.
- n. Lots 1, 5, 6, 7, 16 and 23, Block 3.

[°] Id. at 151.

¹⁰ Id. at 16.



[&]quot;Rendered by Judge Celso D. Laviña; id. at 142-157.

- o. Lot 6, Block 4.
- p. Lots 5, 12, 13 and 24, Block 5.

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- q. Lots 10 and 16, Block 6.
- r. Lots 6 and 15, Block 7.

s. Lots 13, 24, 28 and 29, Block 8.

- t. Lots 1, 11, 17 and 22, Block 9.
- u. Lots 1, 2, 3 and 4, Block 10.
- v. Lots 1, 2, 3 and 5 (New), Block 11.

2. Ordering [GSIS] to pay [Rosario], if the seventyeight (78) excluded lots could not be reconveyed; the fair market value of each of said lots.

3. Ordering the Registry of Deeds of Pasig City, to cancel the land titles covering the excluded lots in the name of [GSIS] or any of its successors-in-interest including all derivative titles therefrom and to issue new titles in [Rosario's] name.

4. Ordering the Register of Deeds of Pasig City, to cancel the Notices of Lis Pendens inscribed in TCT No. PT-80342 under Entry No. PT-12267/T-23554; TCT No. 81812 under Entry No. PT-12267/T-23554; and TCT No. PT-84913 under Entry No. PT-12267/T-23554.

5. Costs of suit.

Counterclaims filed by [GSIS], intervenors Urbano and intervenors Gonzales are DISMISSED.

SO ORDERED.¹²

On appeal, the CA affirmed the trial court's rulings in a Decision dated February 22, 2002.¹³ The same was affirmed by this Court in a Decision¹⁴ dated October 28, 2003 in G.R. No. 155206. Accordingly, an entry of judgment was issued.¹⁵ When the decision became final and executory, Rosario filed a motion for execution.¹⁶

In an Order¹⁷ dated April 27, 2004, the RTC granted the motion for execution. The RTC fixed the current fair market value of the lots at P35,000 per square meter or a total of P1,166,165,000. Thereafter, in an Order¹⁸ dated May 13, 2004, the RTC denied the motion filed by the GSIS for the quashal of the writ of execution.

¹² Id. at 156-157.

¹³ Id. at 161.

¹⁴ Rollo (G.R. No. 225546), pp. 116-128.

¹⁵ Rollo (G.R. No. 225309), p. 162.

¹⁶ Id. at 17.

¹⁷ Id. at 158-164.

¹⁸ Id. at 169-176.

On May 21, 2004, GSIS filed a Petition for *Certiorari* and Prohibition before the CA, docketed as CA-G.R. SP No. 84079, ascribing grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the RTC in denying GSIS' motion to quash.¹⁹

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Meanwhile, to effect the implementation of the writ of execution, Rosario, through counsel, filed a Motion to Direct the Sheriff to Proceed with the Garnished Funds of GSIS with DBP and PNB with Motion for Immediate Execution of Undersigned Counsel's Attorney's Lien Against such Garnished Funds.²⁰

In an Order²¹ dated September 12, 2006, the RTC ordered the release of said deposits and the enforcement of the writ of execution earlier issued, up to extent allowed per the CA decision. The 90% of the proceeds of the execution was ordered to be turned over immediately to Rosario.

The CA, however, in CA-G.R. SP No. 84079, rendered a Decision²² dated August 3, 2006, wherein it partially granted the petition of GSIS. The CA modified the ruling of the RTC in that the extent of the value of the excluded lots shall be P399,828,000 and that the execution of the same may immediately proceed while the writ of preliminary injunction against the execution of the judgment award is made permanent.²³

In the meantime, while resolving several motions filed before the RTC following the CA decision dated August 3, 2006, the RTC, in an Order²⁴ dated November 20, 2006 limited the attorney's fees of Rosario's counsels to the 10% of the P399,828,000 based on *quantum meruit*, among others. Likewise, in the same order, the RTC denied GSIS' motion for reconsideration on the RTC's September 12, 2006 Order.²⁵

Atty. Jose A. Suing (Atty. Suing), counsel in the reconveyance case for Rosario, questioned the said Order dated November 20, 2006 by the RTC as it allegedly reduced his attorney's fee to 6% of the judgment award instead of 35% as stated in the Memorandum of Understanding between him and Rosario.²⁶ The same, however, was already resolved by this Court in a Decision²⁷ dated October 21, 2015 in G.R Nos. 194814 (*Rosario Enriquez Vda. De Santiago v. Atty. Jose A. Suing*) & 194825 (*Jaime C. Vistar v. Atty: Jose A. Suing*) wherein the Court affirmed the RTC's ruling that attorney's

²² Id. at 177-195.

²⁴ Id. at 202-216.

²⁷ 772 Phil. 107 (2015).

¹⁹ Rollo (G.R. No. 225546), pp. 135-136.

²⁰ Rollo (G.R. No. 225309), p. 460.

²¹ Rendered by Judge Franco T. Falcon; id. at 196-201.

²³ Id. at 194-195.

²⁵ Id. at 214-215. ²⁶ Id. at 18.

fees in the amount of 6% of the partially executed judgment is considered fair partial compensation for his legal services.

GSIS, for its part, filed a Petition for *Certiorari* and Prohibition before this Court to annul the Orders dated September 12, 2006 and November 20, 2006 of the RTC. Also, GSIS filed a Petition for Review on *Certiorari* under Rule 45 to reverse and set aside the CA Decision dated August 3, 2006. These two petitions were subsequently consolidated upon motion of GSIS.²⁸ The same, however, were later dismissed by this Court in a Decision²⁹ dated December 18, 2009 in G.R. Nos. 175393 (Government Service Insurance System v. Regional Trial Court of Pasig City, Branch 71) and 177731 (Government Service Insurance System v. Laviña).

In the interim, Rosario and a certain Jaime Vistar (Jaime) filed a Joint Manifestation for Judicial Confirmation and Approval of an Agreement dated January 2, 2009 before the RTC. In said Agreement, it was alleged that Rosario assigned to Jaime her share, right, participation and interest in the reconveyance case equivalent to 50% of whatever Rosario is entitled to receive from the same. Similarly, Eastern Petroleum Corporation (EPC) and Albert Espiritu (Albert) filed a Motion to Intervene, which was supported by the copies of Deed of Assignment entered into by Rosario and EPC, as well as copies of Memorandum of Agreement and Special Power of Attorney. In said Deed of Assignment, it was averred that Rosario transferred to EPC 40% of the proceeds of the judgment award in the reconveyance case while in said Memorandum of Agreement, EPC ceded to Albert half of the amount ceded by Rosario.³⁰

On the other hand, herein respondent Antonio Vilar (Vilar) filed a Verified Omnibus Motion (for Substitution of Party-Plaintiff With Authority to Implement Writ of Execution Until Full Satisfaction of the Final Judgment of the Court) before the RTC. In his motion, Vilar alleged that after Antonio transferred his rights and interests to Eduardo, the latter assigned to Vilar 90% of his interest in the judgment proceeds of the reconveyance case. Further, Vilar averred that he and Eduardo agreed that the Deed of Assignment shall still take effect despite the fact of substitution.³¹

In resolving Vilar's motion, the RTC merely noted the same without action in its Order³² dated December 8, 2010. The dispositive portion thereof reads:

²⁸ Rollo (G.R. No. 225309), pp. 254-255.

²⁹ 623 Phil. 453 (2009).

³⁰ Id. at 18.

³¹ Id. at 18-19.

³² Id. at 316-319.

WHEREFORE, premises considered, the dispositive portion of the Order dated 17 September 2010 is hereby AMENDED to read as follows:

"x x x x

- 1. To issue an alias writ of execution on the partial execution of Php399,828,000.00;
- 2. Upon satisfaction/payment by [GSIS] of the aforesaid amount the Branch Sheriff of this Court is directed to immediately deposit 35% of the said amount to the account of [Rosario];
- 3. The other 35% shall remain in custodia legis subject to the final disposition of Atty. Suing's claim for attorney's fees now pending before the [CA] or any settlement he may enter into with [Rosario]; provided, however, that the sum of Php23,989,680.00 shall be immediately satisfied and released to Atty. Suing to be taken from said 35% attorney's fees;
- 4. The award of attorney's fees to Atty. Benjamin Santos (Php13,993,980.00), Atty. Sherwin S. Gatdula (Php1,599,312.00) and Atty. Wellington B. Lachica (Php399,828.00) shall be satisfied immediately from the remaining 30% of the partial executed amount; and
- 5. The balance on the remaining 30% shall also remain in custodia legis subject to any settlement or compromise the claimants may enter with [Rosario]."

Let an alias writ immediately issue.

SO ORDERED.33

Hence, Vilar filed a Petition for *Certiorari* before the CA, docketed as CA-G.R. SP No. 117439, ascribing grave abuse of discretion on the part of the RTC in merely noting and not granting Vilar's motion.³⁴ In a Decision³⁵ dated February 10, 2014, the CA granted Vilar's petition. The dispositive portion thereof reads:

WHEREFORE, the instant Petition is GRANTED. The Order dated December 8, 2010 of the [RTC], Branch 71, Pasig City is hereby MODIFIED as follows:

³³ Id. at 318-319.
³⁴ Id. at 20.
³⁵ Id. at 15-37.

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1. The Verified Omnibus Motion (for Substitution of Party Plaintiff with Authority to Implement Writ of Execution Until Full Satisfaction of the Final Judgment of the Court) filed by [Vilar] through counsel is **GRANTED**;

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- 2. Accordingly, [Vilar] is **IMPLEADED** as party-plaintiff in substitution of [Rosario];
- 3. And upon satisfaction/payment by [GSIS] of the amount of P399,828,000.00, the Branch Sheriff of the trial court is directed to give 90% of the 35% of the share of [Rosario] to [Vilar]. The remaining 10% of said 35% shall be deposited to the account of [Rosario].

The Order dated December 8, 2010 is **AFFIRMED** in all other respects.

SO ORDERED.³⁶

On June 17, 2016, the CA issued its assailed Amended Decision,³⁷ which in essence, denied the motion for intervention filed by Atty. Gilberto Alfafara (Atty. Alfafara), former counsel of Vilar and denied GSIS' partial motion for reconsideration and Rosario's motion to intervene and to admit motion for reconsideration. The *fallo* thereof reads:

WHEREFORE, the Court resolves as follows:

- 1. [Atty. Alfafara's] Motion for Intervention to Protect Attorney's Rights is **DENIED**.
- 2. [Vilar's] *Manifestation and Motion dated October 27, 2014* is likewise **DENIED**.
- 3. [Vilar's] *Manifestation* dated March 14, 2014 is **NOTED** with APPROVAL only insofar as it seeks to correct the statement of Facts and Antecedent Proceedings as found on Page 7, paragraph 2 of the Court's Decision dated February 10, 2014. Accordingly, page 7, paragraph 2 of the Decision dated February 10, 2014 is **MODIFIED** as follows:

"Meanwhile, it appears that Vilar executed on February 15, 2011 a Deed of Confirmation of Assignment of Rights whereby he assigned in favor of Harold Cuevas (Harold) <u>1/2%</u> participation in the reconveyance case. By virtue of said Deed of Confirmation of Assignment of Rights, Harold filed a complaint for breach of contract, specific performance, injunction and damages ("**breach of contract case**") against Rosario and GSIS seeking that the 90% share of Vilar and his <u>1/2%</u> share therein be recognized and paid."

- 4. GSIS's Motion for Partial Reconsideration (of the Honorable Court's Decision dated February 10, 2014) is **DENIED**.
- 5. [Rosario's] Ex Abudanti Motion to Intervene and to Admit the Attached Motion for Reconsideration (Re: Decision dated 10 February 2014) are **DENIED**.
- 6. [Rosario's] Motion to Expunge [Vilar's] Comment/Opposition with Motion to Admit Reply (To: [Vilar's] Comment/Opposition dated 16 June 2014) are EXPUNGED from the records.

SO ORDERED.38

Hence, this petition.

Issue

In sum, the issue in this case is whether or not the CA erred in impleading Vilar as party-plaintiff in substitution of Rosario.

Ruling of the Court

Both Rosario and GSIS claim that Rosario is an indispensable party in the petition because the same seeks to assail the order of the RTC which involves its action on Vilar's motion to be substituted in Rosario's stead as regards the implementation of the writ of execution.

The Court finds the same to be with merit.

The case stemmed from the action for reconveyance filed by Eduardo, husband of Rosario. To recall, Eduardo was the successor-in-interest of Antonio, who is actually the successor-in-interest of Spouses Zulueta. Spouses Zulueta are the original owners of the subject parcels of land. Upon the death of the party-plaintiff Eduardo, Rosario was substituted in his stead. The case was subsequently decided on December 17, 1997 and affirmed by this Court in October 28, 2003. An Entry of Judgment was issued in 2004. In all these incidents, Rosario was considered as the party-plaintiff.

By definition, an indispensable party is a party-in-interest without whom no final determination can be had of an action, and who shall be joined either as plaintiffs or defendants.³⁹ It is a party whose interest will be affected by the court's action in the litigation.⁴⁰

³⁸ Id. at 46-47.

³⁹ RULES OF COURT, Rule 3, Section 7.

⁴⁰ Divinagracia v. Parilla, et al., 755 Phil. 783, 789 (2015).

In the Matter of the Heirship (Intestate Estates) of the Late Hermogenes Rodriguez, et al. v. Robles,⁴¹ the Court held that:

The joinder of indispensable parties is mandatory. The presence of indispensable parties is necessary to vest the court with jurisdiction, which is the authority to hear and determine a cause, the right to act in a case. Thus, without the presence of indispensable parties to a suit or proceeding, judgment of a court cannot attain real finality.⁴²

Verily, Rosario is an indispensable party in the petition before the CA as she is the widow of the original party-plaintiff Eduardo. The determination of the propriety of the action of the trial court in merely noting and not granting his motion would necessarily affect her interest in the subject matter of litigation as the party-plaintiff.

Accordingly, the Court differs with the CA in ruling that the petition for *certiorari* filed before it merely delves into the issue of grave abuse of discretion committed by the lower court. Guilty of repetition, the final determination of the case would pry into the right of Rosario as partyplaintiff before the lower court who is entitled to the proceeds of the judgment award. As it is, the CA did not actually rule on the issue of grave abuse of discretion alone as its corollary ruling inquired into the right of Rosario. In ruling for Vilar's substitution, the right of Rosario as to the proceeds of the judgment award was thwarted as the CA effectively ordered that the proceeds pertaining to Rosario be awarded instead to Vilar.

Likewise, the Court finds merit in Rosario's contention that her failure to participate in the proceedings before the CA constitutes a denial of her constitutional right to due process.⁴³

Hence, failure to implead Rosario as an indispensable party rendered all the proceedings before the CA null and void for want of authority to act.⁴⁴

Moreover, even the basis for the substitution of Vilar as pronounced by the CA was unfounded. In ruling so, the CA merely relied on the purported Deeds of Assignment of Rights executed between Eduardo and Vilar in considering that the latter is a transferee *pendente lite*, who can rightfully and legally substitute Rosario as party-plaintiff in the implementation of a writ of execution.⁴⁵



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⁴¹ 653 Phil. 396 (2010).

⁴² Id. at 404.

⁴³ Lagunilla, et al. v. Velasco, et al., 607 Phil. 194, 207 (2009).

⁴⁴ Quilatan, et al. v. Heirs of Lorenzo Quilatan, et al., 614 Phil. 162, 165 (2009).

⁴⁵ *Rollo* (G.R. No. 225309), p. 31.

Yet, it is significant to note that the Court already brushed aside said Deeds of Assignment for being belatedly filed in its Decision dated October 21, 2015 in G.R. Nos. 194814 and 194825. The Court did not discuss any further the validity and due execution of said Deeds as the same were brought to the attention of the trial court more than 20 years after the same were allegedly executed.⁴⁶

Considering the foregoing, the Court need not belabor on the other issues raised by petitioners.

As a final note, it must be considered that this case was extant since 1990. The decision of the trial court in 1997 which ruled that Spouses Zulueta, who were substituted by Rosario as party-plaintiff are entitled to the excluded lots or its amount equivalent, has become final and executory when this Court affirmed the same in 2003 in G.R. No. 155206. Subsequently, an Entry of Judgment was issued by this Court in 2004. However, despite the issuance of a writ of execution in 2004, the case had several pending incidents which prohibit Rosario, to recover what is rightfully hers. To warrant the unjustified delay of these proceedings would tantamount to denial of the fruits of the judgment in her favor.

WHEREFORE, the petition is GRANTED. The Decision dated February 10, 2014 and Amended Decision dated June 17, 2016 in CA-G.R. S.P. No. 117439 are **REVERSED and SET ASIDE** in that the Verified Omnibus Motion (for Substitution of Party-Plaintiff With Authority to Implement Writ of Execution Until Full Satisfaction of the Final Judgment of the Court) filed by Antonio Vilar is **DENIED**. Accordingly, the impleading of Antonio Vilar as party-plaintiff in substitution of Rosario Enriquez Vda. De Santiago is **NULLIFIED**. The Order dated December 8, 2010 is hereby **REINSTATED** *in toto*.

SO ORDERED.

ate Justice Assoc

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⁴⁶ Rollo (G.R. No. 225546), p. 200.

G.R. Nos. 225309 and 225546

WE CONCUR:

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

terisita limardo de Castro TERESITA J. LEONARDO-DE CASTRO

Acting Chairperson, First Division

Waite

MARIANO C. DEL CASTILLO Associate Justice

FRANCIS HUJARDELEZA Associate Justice

ΑΤΤΕ SΤΑΤΙΟΝ

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.

Emarlo de Castro TERESITA J. LEONARDO-DE CASTRO

Associate Justice Acting Chairperson, First Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Acting 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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ANTONIO T. CARPIO Acting Chief Justice