

THIRD DIVISION

[G.R. No. 237826, June 28, 2021]

RAFAEL A. MANALO,* FREIDA Z. RIVERA-YAP, AND GRACE M. OLIVA, IN THEIR CAPACITY AS THE DULY ELECTED ASSIGNEES OF THE ASSETS OF SPOUSES ROSARIO AND SATURNINO BALADJAY AND THEIR COMPANIES, PETITIONERS, VS. HERARC REALTY CORPORATION, ARLENE M. BEDAYO, ANGELO C. GUERRERO, EVANGELINE L. LOPEZ, REAL P. MADRID, BJORN PAOLO M. BEDAYO, STELLA M. SALORSANO, DARWIN FERNANDEZ, AND ANTONIO O. MENDOZA, IN HIS CAPACITY AS DEPUTY SHERIFF OF THE REGIONAL TRIAL COURT OF MAKATI CITY (BRANCH 56), AND THE REGISTER OF DEEDS OF THE PROVINCE OF BATANGAS, RESPONDENTS.

RESOLUTION

INTING, J.:

Before the Court is a Petition for Review on *Certiorari*^[1] filed pursuant to Rule 45 of the Rules of Court assailing the Decision^[2] dated July 20, 2017 and the Resolution^[3] dated February 28, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 102990. The assailed Decision and Resolution affirmed the Orders dated November 4, 2013^[4] and May 2, 2014^[5] of Branch IX, Regional Trial Court, Balayan, Batangas (RTC Batangas) in Civil Case No. 4855.

The Antecedents

The case involves three related complaints filed in three different courts. The focal point of the cases is the Rosegold Resort consisting of 13 parcels of land located in Calatagan, Batangas (Rosegold Resort) formerly registered to RAB Realty Corporation (RAB Realty) under Transfer Certificates of Title (TCT) Nos. T-91172, T-91173, T-91174, T-91175, T-91176, T-91177, T-91178, T-91179, T-91180, T-91181, T-91182, T-91183, and T-91184.^[6]

The Makati Complaints: Collection Cases docketed as Civil Case Nos. 03-002 and 03-122.

Two complaints for collection of sum of money and damages were filed by Arlene M. Bedayo, Angelo C. Guerrero, Evangeline L. Lopez, Real P. Madrid, Bjorn Paolo M. Bedayo, Stella M. Salorsano, and Darwin Fernandez (collectively, Bedayo, *et al.*) against Spouses Saturnino and Rosario Baladjay (Spouses Baladjay) and their conduit corporations, namely: Multitel International Holdings, Inc., RAB Realty, and Multinational Telecoms Investors Corporation. The complaints were docketed as Civil Case Nos. 03-002 and 03-122.

In a Joint Partial Decision dated August 28, 2003, Branch 56, RTC, Makati City (RTC Makati) granted the complaints and ordered Spouses Baladjay to pay Bedayo, *et al.* the amount of P55,401,610.62.^[7] Upon finality of the Partial Decision, the RTC Makati issued a writ of execution and set the execution sale of the realties of Spouses Baladjay and their conduit corporations, specifically, the Rosegold Resort.

*Insolvency proceedings (Muntinlupa
Petition) before the RTC Muntinlupa
docketed as Spec. Proc. No. 03-026.*

Two months after the collection cases were filed, the creditors of Spouses Baladjay filed a petition for involuntary insolvency docketed as Spec. Proc. No. 03-026. The case was raffled to Branch 207, RTC, Muntinlupa City (RTC Muntinlupa).^[8]

In order to enjoin the conduct of the impending execution sale, petitioner Dr. Rafael A. Manalo (Dr. Manalo) and Leila I. Ira, as joint receivers appointed by the RTC Muntinlupa, moved for its suspension before the latter court. The RTC Muntinlupa acted favorably and issued a Stay Order^[9] against the sale of the properties of Spouses Baladjay. Bedayo, *et al.*, by special appearance before the RTC Muntinlupa, questioned the Stay Order^[10] but the RTC Muntinlupa denied it in an Order^[11] dated July 30, 2004. During the involuntary insolvency proceedings, RAB Realty was impleaded as an additional debtor.^[12]

Despite the Stay Order, the RTC Makati proceeded with the execution sale on August 11, 2004 wherein Herarc Realty Corporation (Herarc Realty) was declared as the highest bidder.^[13]

Meanwhile, the RTC Muntinlupa declared the involuntary insolvency of Spouses Baladjay on July 22, 2005 and directed Dr. Manalo, as the receiver, to take possession of the properties of Spouses Baladjay and those of the conduit corporations.^[14]

*Writ of possession issued in favor of
Herarc Realty after consolidation of
title in its name as the purchaser in
the execution sale in the RTC Makati.*

On March 14, 2006, after the consolidation of ownership over the Rosegold Resort in the name of Herarc Realty for failure of Spouses Baladjay or any of their representatives to redeem it within a year from the execution sale, the RTC Makati issued a Writ of Possession^[15] in favor of Herarc Realty.^[16] Petitioners moved for intervention and for the quashal of the writ of possession,^[17] but they later withdrew the motion.^[18] The RTC Makati then issued a break-open order upon Herarc's motion.^[19]

Petitioners then filed in the RTC Muntinlupa^[20] a Motion to Declare the Nullity of the following: (1) auction sale conducted on August 11, 2004; (2) consolidated ownership; (3) cancellation of Transfer Certificate of Title Nos. T-91172, T-91173, T-91174, T-91175, T-91176, T-91177, T-91178, T-91179, T-91180, T-91181, T-91182, T-91183, T-91184, T-987719, T-987720, T-987721, T-987722, T-987723, and T-115239 in the Name of RAB Realty; and (4) issuance of Transfer Certificate of Title

Nos. T-105907, T-105908, T-105909, T-105910, T-105911, T-105912, T-105913, T-105914, T-105915, T-105916, T-105917, T-105918 and T-105919 in the name of Herarc Realty.^[21]

In an Order dated March 24, 2006,^[22] the RTC Muntinlupa, in conflict with the RTC Makati, issued its Break-Open Order directing Herarc Realty to vacate the Rosegold Resort and turn over its possession to petitioners.

The CA Decision dated October 26, 2006 in CA-G.R. SP No. 93818 filed by Herarc Realty which was consolidated with CA-G.R. SP No. 93823 filed by petitioners wherein the CA ruled for the exclusion of the Rosegold Resort from the ambit of the insolvency proceedings in the RTC Muntinlupa.

Aggrieved, Herarc Realty filed a Petition for *Certiorari*, Prohibition and *Mandamus* in the CA seeking to annul and set aside the RTC Muntinlupa Break-Open Order. In turn, petitioners filed a petition for prohibition, also before the CA, to enjoin the RTC Makati from further issuing court orders which would affect the properties of Spouses Baladjay subject of the involuntary proceedings. The petitions were subsequently consolidated.

In the Decision^[23] dated October 26, 2006, the CA annulled and set aside the RTC Muntinlupa Break-Open Order. It thereby discharged and removed the Rosegold Resort from the ambit of the insolvency case in the Muntinlupa petition. It further ordered petitioners to surrender possession of the Rosegold Resort to Herarc Realty.

The CA found that the RTC Muntinlupa Break-Open Order was a violation of the right to due process of Herarc Realty, which was not a party impleaded therein. It viewed the Break-Open Order as a usurpation of and interference with a co-equal court (RTC Makati) which already issued a Writ of Possession, and thus, tantamount to annulling the latter court's decision.

The CA denied petitioners' Motion for Reconsideration. Hence, petitioners filed before the Court a Petition for Review on *Certiorari* docketed as G.R. Nos. 178112 and 178118.^[24]

In the Resolution dated September 3, 2008, the Court denied the petition and affirmed the CA Decision dated October 26, 2006.^[25] The Resolution attained finality on February 19, 2009 after the denial of petitioners' Motion for Reconsideration.^[26] Accordingly, on September 22, 2009, the RTC Muntinlupa issued an Order to discharge and remove the Rosegold Resort from the ambit of the insolvency proceedings.^[27]

Batangas Complaint: Annulment of Titles Case docketed as Civil Case No. 4855.

Meanwhile, petitioners filed a Complaint^[28] for annulment of certificates of title in the RTC Batangas (Batangas Complaint) docketed as Civil Case No. 4855. This time,

they sought the cancellation of the titles on the Rosegold Resort issued to Herarc Realty particularly TCT Nos. T-105907, T-105908, T-105909, T-105910, T-105911, T-105912, T-105913, T-105914, T-105915, T-105916, T-105917, T-105918, and T-105919.^[29] They alleged that the titles of Herarc Realty must be nullified on the following grounds:

- (1) execution sale was null and void because it was conducted despite the validity of the stay order which was issued by the insolvency court;
- (2) judgment creditor was bound by the stay order as they submitted themselves to the jurisdiction of the insolvency court which issued the Stay Order;
- (3) Herarc Realty was a buyer in bad faith with notice that the properties subject of the execution sale were placed under receivership;
- (4) the properties were sold on execution at a grossly inadequate price;
- (5) execution was tainted with irregularities and was conducted in fraud of the investors/creditors of Spouses Baladjay and their conduit corporations.^[30]

Execution of judgment in G.R. Nos. 178112 and 178118 by the RTC Makati upon motion of Herarc Realty which, inter alia, excluded the Rosegold Resort from the insolvency proceedings.

Herarc Realty moved for the execution of the judgment that excluded Rosegold Resort from the insolvency proceedings. In an Order dated July 31, 2009, the RTC Makati issued a writ of execution. It ordered the eviction of the assignees and all persons claiming rights under them and placed Herarc Realty in possession of the disputed property. After the RTC Makati denied the motion for reconsideration of the Order, petitioners elevated the issue to the CA through a petition docketed as CA-G.R. SP No. 110088.^[31]

CA-G.R. SP No. 110088 filed by petitioners assailed the July 31, 2009 Order of the RTC Makati which issued a writ of execution on the Court's final and executory judgment in GR Nos. 178112 and 178118.

On June 4, 2010, the CA dismissed the petition and ruled that the Batangas Complaint is not the supervening event contemplated by law to render the execution of judgment as unwarranted.^[32] The CA ruled that the matters raised in the Batangas Complaint had already been passed upon by the CA and affirmed by the Court in G.R. Nos. 178112 and 178118.^[33] The CA elucidated:

Whether the Petitioners-Assignees have a right to the subject properties and that HERARC laid a wrongful claim of ownership over the same are issues which had been resolved in CA-G.R. SP No. 93818 and are the same issues now raised in the Batangas complaint. Evidence which may

be adduced by the Petitioners-Assignees in the Batangas complaint would be the same evidence presented before RTC Makati in Civil Cases Nos. 03-002 and 03-122. In fact, the arguments raised in the said complaint bear on matters which have been submitted before the Court of Appeals and already resolved by the said court. Additionally, the matters raised in the Batangas complaint are matters which the parties were NOT not aware of or could not have been aware of prior to or during the trial of Civil Cases Nos. 03-002 and 03-122 nor during the pendency of CA-G.R. SP No. 93818. These matters, and the relief sought by the Petitioners-Assignees are not supervening events which would have justified a suspension or deferment of the execution of the final decision in Civil Cases Nos. 03-002 and 03-122 subject of the questioned writ of execution dated 31 July 2009.^[34]

This Decision was affirmed by the Court in a Resolution^[35] dated February 1, 2012 docketed as G.R. No. 195544 and further affirmed with finality on June 20, 2012.^[36]

Herarc's motions which sought the dismissal of the Batangas Complaint on the ground that the cause of action is barred by prior judgment.

Going back to the Batangas Complaint, Herarc Realty moved for its dismissal on the grounds of *res judicata* and lack of cause of action, but the RTC Batangas denied it in an Order^[37] dated July 6, 2011.

Subsequently, Herarc Realty filed an Omnibus Motion for judicial notice of the following Court judgments:

- (1) Order dated September 22, 2009 of the RTC Muntinlupa which removed the Rosegold Resort from the ambit of the insolvency proceedings;
- (2) CA Decision dated June 4, 2010 in CA-G.R. SP No. 110088 which upheld the enforcement of the writ of execution issued by RTC Makati;
- (3) Court Resolution dated February 1, 2012 in G.R. No. 195544 which affirmed the CA Decision dated June 4, 2010.^[38]

The Ruling of the RTC Batangas

In an Order^[39] dated November 4, 2013, the RTC Batangas granted the Omnibus Motion for judicial notice and simultaneously reconsidered and set aside the denial of the motion to dismiss.^[40] The RTC Batangas dismissed the Batangas Complaint on the ground that the judgment in CA-G.R. SP No. 110088 is conclusive against petitioners, and as such, the matters raised therein could no longer be passed upon in the complaint *a quo*.

The RTC Batangas denied petitioners' motion for reconsideration in an Order^[41] dated May 2, 2014.

The Ruling of the CA