

THIRD DIVISION

[G.R. No. 198008, February 04, 2019]

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE REGIONAL EXECUTIVE DIRECTOR, REGION X, DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, PETITIONER, VS. BENJOHN FETALVERO, RESPONDENT.

DECISION

LEONEN, J.:

Money claims against the government cannot be the subject of writs of execution absent any showing that they have been brought before the Commission on Audit, under this Court's Administrative Circular No. 10-2000^[1] and Commission on Audit Circular No. 2001-002.^[2]

This is a Petition for Review on Certiorari^[3] praying that the July 29, 2011 Decision^[4] of the Court of Appeals be reversed, and that the September 22, 2009^[5] and April 23, 2010^[6] Orders of the Regional Trial Court be annulled.^[7] Further, it is prayed that a temporary restraining order be issued to enjoin the trial court from implementing the assailed Orders. The Court of Appeals affirmed the trial court Orders, which granted the Motion for the Issuance of an Order for a Writ of Garnishment filed by Benjohn Fetalvero (Fetalvero).^[8]

Fetalvero owned a 2,787-square meter parcel of land in Iligan City, Lanao del Norte. The lot was covered by Transfer Certificate of Title (TCT) No. T-25,233 (a.f.).^[9]

In 1999, the Department of Public Works and Highways, Region X took 569 square meters from Fetalvero's property to be used in its flood control project. Fetalvero stated that the project's construction on that portion of land rendered the remaining part useless, so he demanded payment for the entire area at P15,000.00 per square meter. However, under Presidential Administrative Order No. 50, series of 1999, the just compensation Fetalvero was entitled to was only P2,500.00 per square meter, or a total of P1,422,500.00, plus 10% thereof. The rate was based on the Bureau of Internal Revenue zonal valuation in 1999, when the property was taken. Despite negotiations, the parties failed to agree on the amount of just compensation.^[10]

On February 13, 2008, the Republic of the Philippines (Republic), through the Office of the Solicitor General, filed before the Regional Trial Court a Complaint^[11] for expropriation against Fetalvero.^[12] It prayed "for the determination and payment of the just compensation and the entry of a judgment of condemnation of the 569 square meters portion of [Fetalvero's] property."^[13] The case, docketed as Civil Case No. 7118, was raffled to Branch 3 under Presiding Judge Albert B. Abragan (Judge Abragan).^[14]

Subsequently, the Office of the Solicitor General sent a letter^[15] dated April 10, 2008 to Atty. Earnest Anthony L. Lorea (Atty. Lorea), the Legal Staff Chief of the Department of Public Works and Highways, Region X. In its letter, the Office of the Solicitor General deputized Atty. Lorea to assist it in Civil Case No. 7118, as his authority was "subject to the reservation contained in the Notice of Appearance filed by [the] Solicitor General[.]"^[16]

On April 16, 2008, the Office of the Solicitor General filed before the trial court a Notice of Appearance^[17] dated April 10, 2008. It entered its appearance as counsel for the Republic in Civil Case No. 7118, and informed the trial court that it authorized Atty. Lorea to appear on its behalf. It emphasized that since it "retain[ed] supervision and control of the representation in [the] case and [had] to approve withdrawal of the case, non-appeal[,] or other actions which appear to compromise the interest of the Government, only notices of orders, resolutions, and decisions served on him will bind the [Republic]."^[18]

On June 27, 2008, the trial court issued an Order^[19] and referred the case to the Philippine Mediation Center for mediation.^[20]

On September 1, 2008, the parties entered into a Compromise Agreement, which read:

UNDERSIGNED PARTIES:

Regional Executive Director, Region 10, DPWH

-And-

Benjohn Fetalvero

AGREE as follows:

1. That the area involved is 1,428 square meters.
2. That the price per square meter is Nine Thousand Five Hundred Pesos (PHP 9,500.00) per square meter or a total of Thirteen Million Five Hundred Sixty[-]Six Thousand & 00/100 (PHP 13,566,000.00) which latter is the amount to be paid in full b[y] the plaintiff to the defendant not later than September, 2009.
3. After September, 2009, it will earn interest at 12% per annum until fully paid.
4. Expenses for documentation and transfer to the account of Plaintiff.

IN WITNESS WHEREOF, the parties hereto have mutually and voluntarily agreed to the above stipulations and sign this Agreement at PMC Iligan City, on this 1st day of September, 2008 for the consideration and approval of the Honorable Court.

(Sgd) illegible..
Atty. Ernest Lorea
Plaintiff/Complainant

(Sgd) Benjohn Fetalvero
Defendant

Assisted by:

Atty. GERARDO D. PAGUIO
Mediator

ERWIN TRACY E. DACUP
Mediation Staff Asst. II
Mediation
Supervisor/Coordinator^[21]

Fetalvero filed before the trial court a motion to approve the Compromise Agreement and for the issuance of judgment.^[22]

On October 17, 2008, the trial court issued an Order^[23] approving the Compromise Agreement. On November 6, 2008, the Republic received a copy of the Order.^[24]

In a letter dated May 13, 2009, Jaime A. Pacanan, Assistant Secretary and Central Right of Way Committee Chair of the Department of Public Works and Highways, Manila, requested advice from the Office of the Solicitor General regarding the Compromise Agreement's legality.^[25]

In its letter^[26] dated June 4, 2009, the Office of the Solicitor General replied that the government cannot be bound by the Compromise Agreement since it was not submitted to its office for review, which is a condition under the deputation letter and the Notice of Appearance. Thus, it was improper for the Department of Public Works and Highways to directly submit the Compromise Agreement to the trial court for judgment. Further, the Compromise Agreement failed to state how it arrived at the just compensation of P9,500.00 per square meter.^[27]

Meanwhile, Fetalvero filed on July 20, 2009 a Motion for the Issuance of an Order for a Writ of Garnishment for the satisfaction of the trial court's October 17, 2008 Order.^[28] He alleged that Sheriff Sandor B. Bantuas served a Writ of Execution to Atty. Lorea on June 2, 2009 and June 24, 2009. Both times, the latter ignored it and refused to comply with and satisfy the trial court's judgment. It was, therefore, necessary and just that the court issue a Writ of Garnishment in his favor.^[29]

The Republic opposed the Motion, arguing that since the Compromise Agreement was not legally binding, "it cannot be the subject of a valid writ of execution or garnishment."^[30] Moreover, the government still owns its funds and properties that were in official depositories; thus, these cannot be garnished or levied.^[31]

In its September 22, 2009 Order,^[32] the trial court granted Fetalvero's Motion. It held:

From the arguments of both defendant-movant and the plaintiff, the court is more inclined to agree with the observation of defendant-movant considering that the record reveals that the Office of the Solicitor General was duly furnished copy of the judgment of the court approving the Compromise Agreement dated October 17, 2008. Despite the lapse of almost a year, the Office of the Solicitor General never lift[ed] a finger to question the validity of said Compromise Agreement. The OSG is now precluded from questioning the validity of the compromise agreement. It should be noted that judgment based on compromise agreement is immediately executory. Hence, the plaintiff cannot now question the validity of the said judgment without transgressing the doctrine of immutability of judgment.^[33]

The trial court further held that since the Office of the Solicitor General received a copy of the trial court's October 17, 2008 Order, the judgment was valid and binding on the Republic. Further, government funds in official depositories remain government funds only if there was no appropriation by law. The trial court found that funds were already

appropriated under SAA-SR 2009-05-001538 of the Department of Public Works and Highways "for payment of the road-rights-of-way."^[34] Hence, Fetalvero's Motion should be granted.^[35]

The dispositive portion of the trial court's September 22, 2009 Order read:

WHEREFORE, finding the motion to be well-founded the same is hereby granted. The Sheriff of this Court may now proceed with the garnishment of plaintiff's funds intended for the payment of road-rights-of-way under SAA-SR 2009-05-001538 of the DPWH Main and/or Regional Office, as prayed for.

SO ORDERED.^[36]

The Republic moved for reconsideration, but its Motion was denied by the trial court in its April 23, 2010 Order.^[37]

The Republic, through the Regional Executive Director of the Department of Public Works and Highways, Region X, filed before the Court of Appeals a Petition for Certiorari^[38] against Fetalvero and Judge Abragan.^[39] It again contended that the Compromise Agreement was not binding on the Republic since it was not submitted to the Office of the Solicitor General for review, and the basis for the amount of just compensation was not stated in it.^[40] It insisted that "government funds and properties may not be seized under writs of execution or garnishment to satisfy court judgments."^[41]

On July 29, 2011, the Court of Appeals rendered a Decision,^[42] denying the Petition for lack of merit.^[43] It found that the Office of the Solicitor General received a copy of the trial court's October 17, 2008 Order, but did not file any pleading or action to assail it. If the Office of the Solicitor General wanted to question the Compromise Agreement's validity, it should have raised the matter immediately, not when the Order was about to be executed.^[44] The Court of Appeals added:

As adverted to, records show that the OSG was served a copy of the Order dated October 17, 2008 which approved the compromise agreement. Hence, it was binding upon it. To rule otherwise would create havoc and absurdity in our procedural system wherein no judgment based on compromise would ever be final and executory despite the OSG's receipt of the same on the basis merely that the OSG did not previously receive a copy of the said compromise subject of the said decision and/or order.^[45]

The Court of Appeals further held that public funds may be seized or garnished if they were "already allocated by law specifically for the satisfaction of the money judgment against the government."^[46]

The dispositive portion of the Court of Appeals Decision read:

WHEREFORE, premises considered, the instant petition for certiorari is **DENIED** for lack of merit. The assailed Orders dated September 22, 2009 and April 23, 2010 are **AFFIRMED in toto.**

SO ORDERED.^[47] (Emphasis in the original)

On October 6, 2011, the Republic, through the Office of the Solicitor General, filed before this Court a Petition for Review on Certiorari^[48] against Fetalvero. It prayed that the July 29, 2011 Decision of the Court of Appeals be reversed and set aside.^[49] Respondent submitted his Comment^[50] dated February 8, 2012, while petitioner submitted its Reply^[51] dated July 17, 2012.

In its January 28, 2013 Resolution,^[52] this Court gave due course to the Petition and informed the parties to submit their respective memoranda. Petitioner submitted its Memorandum^[53] dated April 29, 2013, while respondent submitted his Memorandum^[54] on May 6, 2013.

Petitioner asserts that the Court of Appeals erred in dismissing its Petition "on a purely technical ground."^[55] It argues that the Court of Appeals should have disposed the case based on its merit since it involves a substantial amount of public funds. Petitioner reiterates that the Compromise Agreement is void since it was entered into contrary to the reservation in the deputation letter and the Notice of Appearance. The Compromise Agreement was directly submitted to the trial court without the Office of the Solicitor General's prior review and approval.^[56]

Petitioner avers that the just compensation is grossly disadvantageous to the government. The actual market value of properties in Mahayahay, Iligan City is P500.00 to P1,000.00 per square meter in 2003. However, the just compensation for respondent's property in the Compromise Agreement is P9,500.00 per square meter. Since the property was expropriated in 1999, petitioner argues that the just compensation should have been lower than the properties' selling price in 2003. Moreover, the Compromise Agreement does not indicate how the parties arrived at the just compensation.^[57]

Finally, petitioner contends that despite the approval of the allocation under SAA-SR 2009-05-001538 and the partial payment of the just compensation to respondent, it can still question the Compromise Agreement's validity. Assuming that respondent proves that he has a claim, he cannot seize government funds by virtue of a writ of execution or garnishment. He must first file it before the Commission on Audit under Commonwealth Act No. 327, as amended by Section 26 of Presidential Decree No. 1445.^[58]

On the other hand, respondent notes that the Compromise Agreement had been approved by the trial court on October 17, 2008. Thus, it had already attained finality by the time petitioner questioned its validity in June 2009. Respondent also points out that petitioner did not even avail of the remedies under the Rules of Court. It did not file an appeal, a motion for new trial, a petition for relief, or a petition to annul the trial court Orders.^[59] Instead, it filed a petition for certiorari to "indirectly annul"^[60] the judgments.

Respondent adds that the Court of Appeals correctly denied the Petition for Certiorari, since petitioner failed to show that Judge Abragan, in issuing the assailed Orders, committed grave abuse of discretion:^[61]

The issuance of the said orders which granted the motion for issuance of an order of writ of garnishment was not only proper, it was imperative as well because the order/judgment of the court dated October 17, 2008 approving the compromise