

## **SPECIAL SECOND DIVISION**

**[ G.R. No. 191667, April 22, 2015 ]**

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. EDUARDO  
M. CACAYURAN, RESPONDENT,**

**MUNICIPALITY OF AGOO, LA UNION, INTERVENOR.**

### **A M E N D E D D E C I S I O N**

**PERLAS-BERNABE, J.:**

Before the Court are the following motions: (a) the Motion for Reconsideration<sup>[1]</sup> dated May 22, 2013, filed by petitioner Land Bank of the Philippines (LBP) assailing the Decision<sup>[2]</sup> dated April 17, 2013 of the Court (April 17, 2013 Decision), which upheld the Decision<sup>[3]</sup> dated March 26, 2010 of the Court of Appeals (CA) in CA-G.R. CV. No. 89732 affirming with modification the Decision<sup>[4]</sup> dated April 10, 2007 of the Regional Trial Court of Agoo, La Union, Branch 31 in Civil Case No. A-2473; (b) the Motion for Leave to Intervene with Pleading-in-Intervention Attached<sup>[5]</sup> dated July 8, 2013, filed by the Municipality of Agoo, La Union (Municipality) praying that it be allowed to intervene in this case; and (c) the Motion for Reconsideration-in-Intervention<sup>[6]</sup> dated July 8, 2013, filed by the Municipality seeking that the Court set aside its April 17, 2013 Decision and promulgate a new one in its stead dismissing the case (subject motions).

### **The Facts**

The instant case arose from two (2) loans (Subject Loans) entered into by the Municipality with LBP in order to finance the Redevelopment Plan of the Agoo Public Plaza (Public Plaza). Through Resolution Nos. 68-2005<sup>[7]</sup> and 139-2005,<sup>[8]</sup> the *Sangguniang Bayan* of the Municipality (*Sangguniang Bayan*) authorized its then-Mayor Eufanio Eriguel (Mayor Eriguel) to enter into a P4,000,000.00-loan with LBP, the proceeds of which were used to construct ten (10) kiosks at the Public Plaza. Around a year later, the SB issued Resolution Nos. 58-2006<sup>[9]</sup> and 128-2006,<sup>[10]</sup> this time authorizing Mayor Eriguel to obtain a P28,000,000.00-loan from LBP for the construction of a commercial center named "Agoo People's Center" within the premises of the Public Plaza. In order to secure the Subject Loans, the Municipality used as collateral, among others, a 2,323.75-square meter lot situated at the south eastern portion of the Public Plaza (Plaza Lot).<sup>[11]</sup>

However, a group of residents, led by respondent Eduardo M. Cacayuran (Cacayuran), opposed the redevelopment of the Public Plaza, as well as the funding therefor thru the Subject Loans, claiming that these were "highly irregular, violative of the law, and detrimental to public interests, and will result to wanton desecration of the [Public Plaza]."<sup>[12]</sup> Further, Cacayuran requested the municipal officers to

furnish him with the various documents relating to the Public Plaza's redevelopment, which, however, went unheeded.<sup>[13]</sup> Thus, Cacayuran, invoking his right as a taxpayer, filed a complaint<sup>[14]</sup> against LBP and various officers of the Municipality, including Mayor Eriguel (but excluding the Municipality itself as party-defendant), assailing the validity of the aforesaid loan agreements and praying that the commercialization of the Public Plaza be enjoined.<sup>[15]</sup>

Initially, the municipal officers moved for the outright dismissal of the complaint, which was denied, thus constraining them to file their respective answers. For its part, LBP asserted, *inter alia*, that Cacayuran did not have any cause of action since he was not privy to the loan agreements entered into by LBP and the Municipality.<sup>[16]</sup>

During the pendency of the proceedings, the construction of the Agoo People's Center was completed. Later on, the *Sangguniang Bayan* passed Municipal Ordinance No. 02-2007<sup>[17]</sup> declaring the area where such building stood as patrimonial property of the Municipality.<sup>[18]</sup>

### **The RTC Ruling**

In a Decision<sup>[19]</sup> dated April 10, 2007, the RTC declared the Subject Loans null and void, finding that the resolutions approving the procurement of the same were passed in a highly irregular manner and thus, *ultra vires*. As such, it pronounced that the Municipality was not bound by the Subject Loans and that the municipal officers should, instead, be held personally liable for the same. Further, it ruled that since the Plaza Lot is a property for public use, it cannot be used as collateral for the Subject Loans.<sup>[20]</sup>

Aggrieved, LBP and the municipal officers appealed<sup>[21]</sup> to the CA. However, the appeal of the municipal officers was deemed abandoned and dismissed for their failure to file an appellants' brief despite due notice.<sup>[22]</sup> Thus, only LBP's appeal was given due course by the CA.<sup>[23]</sup>

### **The CA Ruling**

In a Decision<sup>[24]</sup> dated March 26, 2010, the CA affirmed the ruling of the RTC, with modification excluding then-Vice Mayor Antonio Eslao from personal liability arising from the Subject Loans. It held that: (a) Cacayuran had *locus standi* to file the instant complaint, considering that he is a resident of the Municipality and the issue at hand involved public interest of transcendental importance; (b) Resolution Nos. 68-2005, 138-2005, 58-2006, 126-2006 were invalidly passed due to non-compliance with certain provisions of Republic Act No. 7160,<sup>[25]</sup> otherwise known as the Local Government Code of 1991 (LGC); (c) the Plaza Lot is property of public dominion, and thus, cannot be used as collateral; and (d) the procurement of the Subject Loans were *ultra vires* acts for having been entered into without proper authority and that the collaterals used therefor constituted improper disbursement of public funds.<sup>[26]</sup>

Dissatisfied, LBP filed a petition for review on *certiorari*<sup>[27]</sup> before this Court.

### **Proceedings Before the Court**

In a Decision<sup>[28]</sup> dated April 17, 2013 the Court denied LBP's petition, and accordingly, affirmed the ruling of the CA. Agreeing with the CA, the Court held that: (a) Cacayuran had legal standing to institute a taxpayer's suit;<sup>[29]</sup> (b) Resolution Nos. 68-2005, 139-2005, 58-2006, 126-2006 cannot be relied upon to validate the Subject Loans, as the LGC requires the passing of an ordinance in order for any loan agreement to be valid;<sup>[30]</sup> and (c) the procurement of the Subject Loans are *ultra vires* acts of the municipal officers who approved the same, and thus, liability therefor shall devolve upon them.<sup>[31]</sup>

Undaunted, LBP moved for reconsideration, basically reiterating its earlier position that Cacayuran had no legal standing to sue, and that Resolution Nos. 68-2005, 139-2005, 58-2006, and 126-2006 may be relied upon in validating the Subject Loans.<sup>[32]</sup>

Meanwhile, the Municipality filed a Motion for Leave to Intervene with Pleading-In-Intervention Attached<sup>[33]</sup> dated July 8, 2013 and a Motion for Reconsideration in-Intervention<sup>[34]</sup> of even date, praying that it be included as a party-litigant to the instant case. It contends that as a contracting party to the Subject Loans, it is an indispensable party to the action filed by Cacayuran. As such, there cannot be any "real disposition" of the instant suit by reason of its exclusion from the same.

In opposition,<sup>[35]</sup> Cacayuran maintains that LBP did not raise any new matter to warrant reconsideration of the April 17, 2013 Decision. Anent the Municipality's motion to intervene, Cacayuran insists that the Municipality is not a real party-in-interest to the instant case as his complaint is against the municipal officers in their personal capacity for their *ultra vires* acts which are not binding on the Municipality.

Finally, in its Comment on the Motion for Leave to Intervene and Motion for Reconsideration-in-Intervention<sup>[36]</sup> dated May 6, 2014, LBP agrees with the Municipality that the latter is an indispensable party to the instant case and as such, should be included herein.

### **The Issue Before the Court**

The core issue for the Court's resolution is whether or not the Municipality should be deemed as an indispensable party to the instant case, and thus, be ordered impleaded herein.

### **The Court's Ruling**

The Court rules in the affirmative.

Section 7, Rule 3 of the Rules of Court mandates that all indispensable parties should be joined in a suit, *viz.*:

SEC. 7. *Compulsory joinder of indispensable parties.* - Parties-in-interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

"An indispensable party is one whose interest will be affected by the court's action in the litigation, and without whom no final determination of the case can be had. The party's interest in the subject matter of the suit and in the relief sought are so inextricably intertwined with the other parties' that his legal presence as a party to the proceeding is an absolute necessity. In his absence, there cannot be a resolution of the dispute of the parties before the court which is effective, complete, or equitable."<sup>[37]</sup> Thus, the absence of an indispensable party renders all subsequent actions of the court null and void, for want of authority to act, not only as to the absent parties but even as to those present.<sup>[38]</sup>

Nevertheless, it must be stressed that the failure to implead any indispensable party to a suit does not necessarily result in the outright dismissal of the complaint. In *Heirs of Mesina v. Heirs of Fian, Sr.*<sup>[39]</sup> the Court definitively explained that in instances of non-joinder of indispensable parties, the proper remedy is to implead them and not to dismiss the case:

**The non-joinder of indispensable parties is not a ground for the dismissal of an action.** At any stage of a judicial proceeding and/or at such times as are just, parties may be added on the motion of a party or on the initiative of the tribunal concerned. If the plaintiff refuses to implead an indispensable party despite the order of the court, that court may dismiss the complaint for the plaintiffs failure to comply with the order. **The remedy is to implead the non-party claimed to be indispensable.**<sup>[40]</sup> (Emphases and underscoring supplied)

In this case, a judicious review of the records reveals that Cacayuran's complaint against LBP and the municipal officers primarily prays that the commercialization of the Public Plaza be enjoined and also, that the Subject Loans be declared null and void for having been unlawfully entered into by the said officers. However, Cacayuran failed to implead in his complaint the Municipality, a real party-in-interest<sup>[41]</sup> and an indispensable party that stands to be directly affected by any judicial resolution on the case, considering that: (a) the contracting parties to the Subject Loans are LBP and the Municipality; and (b) the Municipality owns the Public Plaza as well as the improvements constructed thereon, including the Agoo People's Center. As the Municipality aptly points out:<sup>[42]</sup>

3. To recapitulate: The case had its beginnings in **the two (2) Loans obtained by [the Municipality] from [LBP]** and by the Board Resolutions passed and adopted by the Sangguniang Bayan of Agoo, La Union, together with the Mayor and Vice-Mayor of the Municipality.

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3d. The two (2) Loans were covered and evidenced by separate Loan