

THIRD DIVISION

[G.R. No. 194560, June 11, 2014]

**NESTOR T. GADRINAB, PETITIONER, VS. NORA T. SALAMANCA,
ANTONIO TALAO, AND ELENA LOPEZ, RESPONDENTS.**

DECISION

LEONEN, J.:

A judgment on compromise agreement is a judgment on the merits. It has the effect of *res judicata*, and is immediately final and executory unless set aside because of falsity or vices of consent. The doctrine of immutability of judgments bars courts from modifying decisions that have already attained finality, even if the purpose of the modification is to correct errors of fact or law.

This Rule 45 petition seeks the review of the Court of Appeals' decision^[1] dated July 22, 2010 and its resolution^[2] dated November 19, 2010. The Court of Appeals dismissed petitioner's appeal and affirmed the Regional Trial Court's decision granting respondent Salamanca's motion for physical partition pending the execution of a judgment on compromise agreement between the parties.

Respondents, together with Adoracion Gadrinab and Arsenia Talao, are siblings and heirs of the late Spouses Talao, Nicolas and Aurelia.^[3] The Spouses Talao died intestate, leaving a parcel of land in Sta. Ana, Manila.^[4]

The five Talao children divided the property among themselves through an extrajudicial settlement.^[5] Subsequently, Arsenia Talao waived her share over the property in favor of her siblings.^[6]

Respondent Salamanca filed a complaint for partition against her siblings, Antonio, Elena (deceased, now represented by her husband, Jose Lopez), and Adoracion (deceased, now represented by heirs, petitioner Nestor and Francisco Gadrinab) before the Regional Trial Court of Manila.^[7]

All parties claimed their respective shares in the property.^[8] They also claimed shares in the rentals collected from one of the units of a duplex apartment on the property.^[9] The total amount of rental collection in the possession of Jose Lopez was P528,623.00.^[10] The amount, according to Jose's counsel, was ready for distribution.^[11]

Upon being referred to mediation, the parties entered into a compromise agreement and stipulated the following:

1) That the subject property (land with all the improvements) situated at 2370 Nacar Street, San Andres, Sta. Ana, Manila will be subject for sale and the amount will be divided among the four (plaintiff and defendants);

2) That the subject property will be appraised by independent appraiser and the appraised value will be divided into four. Mr. Antonio Talao will pay in advance the share of Francisco Gadrinab immediately after the report of the said appraisal;

3) That Cuervo Appraiser will be the one who appraised [sic] the property on or before March 21, 2003 and any appraised value shall binding [sic] on all parties;

4) That the rental collection in its total amount of Five Hundred Twenty Eight Thousand and Six Hundred Twenty Three Pesos (P528,623.00) and the uncollected amount up to February 2003 once collected will be divided among the parties;

5) That the amount of P528,623.00 divided by four be distributed among the parties will be given to all parties on or before March 12, 2003 by Mr. Antonio Talao;

6) That upon payment of the appraised value to Francisco Gadrinab, Mr. Nestor Gadrinab is given forty-five (45) days within which to leave the premises in question;

7) That the parties agreed to waive all their claims and counter-claims arising from this case; and

8) That the parties agreed to request this Honorable Court that a decision be issued base [sic] on this Compromise Agreement or this Compromise Agreement be submitted before this Honorable Court for approval.^[12]

On April 10, 2003, the Regional Trial Court approved the compromise agreement.^[13] Based on the entry of judgment, the case became final and executory on April 10, 2003.^[14]

Nestor Gadrinab filed a motion for execution of the compromise agreement.^[15] He demanded his one-fourth share in the accumulated rentals.^[16] During the hearing on the motion for execution, the parties agreed that the rentals shall be divided only into three since Nestor had already been occupying one of the duplex units.^[17] The parties also agreed that Antonio Talao would shoulder Nestor's share, equivalent to one-fourth of the rental amount.^[18]

Pursuant to the compromise agreement, Cuervo Appraiser appraised the property.^[19] Unsatisfied with the appraisal, Antonio Talao moved for the property's reappraisal.^[20] This was denied by the Regional Trial Court.^[21]

The portion of the duplex that Nestor refused to vacate,^[22] remained unsold.^[23]

Because of the attitude of her co-heirs, respondent Salamanca moved for the physical partition of the property before the Regional Trial Court of Manila.^[24] She prayed for the physical partition of the property instead of having it sold.^[25]

Nestor and Francisco Gadrinab opposed the motion.^[26] They contended that the judgment on the compromise agreement had already become final and executory and had the effect of *res judicata*.^[27] Antonio Talao and Jose Lopez did not object to the motion for physical partition.^[28]

On December 29, 2005, the Regional Trial Court of Manila granted the motion for physical partition.^[29]

Nestor and Francisco Gadrinab appealed to the Court of Appeals. They assailed the grant of Salamanca's motion for physical partition after the issuance of the judgment on compromise agreement.^[30]

In a decision promulgated on July 22, 2010,^[31] the Court of Appeals dismissed the appeal. The Court of Appeals ruled that the exception to the immutability of judgments, that is, "whenever circumstances transpire after the finality of the decision rendering its execution unjust and inequitable,"^[32] applies in this case. The Court of Appeals specifically noted that the "parties' seemingly endless disagreements on matters involving the disposition of the subject property"^[33] were such circumstances that rendered the compromise agreement's execution unjust and inequitable. The Court of Appeals agreed with the Regional Trial Court's ruling that "the proposed physical partition of the subject lot . . . is just another way of enforcing the [c]ourt's decision and will not in anyway vary the parties' agreement nor affect their right over the property."^[34]

On November 19, 2010, the Court of Appeals denied petitioner's motion for reconsideration.^[35]

Hence, this petition was filed.

Petitioner argued that the Court of Appeals erred in affirming the Regional Trial Court's order granting respondent Salamanca's motion for physical partition.^[36] A judgment on the compromise agreement had already been rendered and had attained finality.^[37] Petitioner also argued that the Court of Appeals failed to consider the following terms of the compromise agreement:

2. That the subject property will be appraised by independent appraiser and the appraised value will be divided into four (4). Mr. Antonio Talao will pay in advance the share of Francisco Gadrinab immediately after the report of the said appraisal;

. . . .

4. That the rental collection in its total amount of FIVE HUNDRED TWENTY EIGHT THOUSAND SIX HUNDRED TWENTY THREE PESOS (Php528,623.00) and the uncollected amount up to February 2003 once collected [sic] will be divided among the parties;

5. That the amount of FIVE HUNDRED TWENTY EIGHT THOUSAND SIX HUNDRED TWENTY THREE PESOS Php528,623.00 divided by four (4) among the parties will be given to all parties on or [sic] March 12, 2003 by Mr. Antonio Talao at Greenbelt, Mc Donald at 9:00 o'clock in the morning;

6. That upon payment of the appraised value to Mr. Francisco Gadrinab, Mr. Nestor Gadrinab is given forty five (45) days within which to leave the premises in question[.]^[38] (Emphasis in the original)

Petitioner alleged that the judgment on the compromise agreement had already been partially complied with, as respondent Salamanca had already been paid her share in the accrued rentals.^[39] On the other hand, petitioner still had not been paid his share,^[40] prompting him to file the motion for execution.^[41]

Petitioner pointed out that there was no agreement that he must vacate the property before it could be sold.^[42]

Moreover, petitioner argued that the Court of Appeals' decision violated his right to due process.^[43] According to him, had there been a full-blown trial on the action for partition, he would have been able to present evidence of exclusive possession of half of the property.^[44]

In their separate comments, respondents Salamanca and Talao argued that this case fell under the exception of the rule on immutability of judgments.^[45] The non-compliance of some of the parties with the compromise agreement constituted an event that "[makes] it difficult if not totally impossible to enforce the compromise agreement."^[46]

Respondents Salamanca and Talao also argued that the physical partition of the property would not prejudice the parties.^[47] The order granting the motion for physical partition was a mere enforcement of the compromise agreement, which entitled the parties to their shares in the proceeds of the sale.^[48] Respondent Salamanca pointed out that the grant of the motion for physical partition would still be consistent with the intent of the compromise agreement since it would result in the proceeds being divided equally among the parties.^[49] "The Order granting the physical partition was within the inherent power and authority of the court having jurisdiction to render a particular judgment to enforce it and to exercise equitable control over such enforcement."^[50]

Moreover, petitioner's refusal to vacate the property prevented it from being sold so that the proceeds could already be distributed among the parties.^[51]

On the violation of due process, respondents Salamanca and Talao argued that it was only before this court that this issue was raised.

The issue in this case is whether the Court of Appeals erred in affirming the Regional Trial Court's decision allowing the physical partition of the property despite finality of a previous judgment on compromise agreement involving the division of the same property.

The petition is meritorious.

**The Court of Appeals erred
in affirming the Regional Trial
Court's decision allowing the
physical partition of the property**

Respondent Salamanca filed two actions for physical partition. The two parties settled the first action through a judicial compromise agreement. The same respondent filed the second action after she had determined that her co-heirs were not being cooperative in complying with the compromise agreement.

In a compromise agreement, the parties freely enter into stipulations. "[A] judgment based on a compromise agreement is a judgment on the merits"^[52] of the case. It has the effect of *res judicata*. These principles are impressed both in our law and jurisprudence.

Thus, Article 2037 of the Civil Code provides:

Article 2037. A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.

In *Spouses Romero v. Tan*,^[53] this court said:

It is well settled that a judicial compromise has the effect of *res judicata* and is immediately executory and not appealable unless set aside [by mistake, fraud, violence, intimidation, undue influence, or falsity of documents that vitiated the compromise agreement].^[54]

There is *res judicata* when the following concur:

1. Previous final judgment;
2. By a court having jurisdiction over the parties and the subject matter;
3. On the merits of the case;
4. Between identical parties, on the same subject matter, and cause of action^[55]

There are two rules that embody the principle of *res judicata*. The first rule refers to