

SECOND DIVISION

[G.R. No. 193078, August 28, 2013]

**B. STA. RITA & CO., INC. AND ARLENE STA. RITA KANAPI,
PETITIONERS, VS. ANGELINE M. GUECO, RESPONDENT.**

DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] are the Decision^[2] dated January 21, 2010 and Resolution^[3] dated July 26, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 87000 which reversed and set aside the Joint Decision^[4] dated December 8, 2005 of the Regional Trial Court of Tarlac City, Branch 63 (RTC Branch 63) in Civil Case Nos. 9245 and 9532, effectively upholding the Deed of Absolute Sale^[5] dated April 11, 2000 (subject deed) between petitioner B. Sta. Rita & Co., Inc. (B. Sta. Rita) and respondent Angeline M. Gueco^[6] (Gueco).

The Facts

On April 11, 2000, Gueco purchased four parcels of land from B. Sta. Rita through its then President, Ben Sta. Rita, situated at Barangay San Juan de Mata, Tarlac City (subject properties) and covered by Transfer Certificate of Title (TCT) Nos. T-137998,^[7] T-191599,^[8] T-191600,^[9] and T-191601^[10] (subject titles) issued by the Registry of Deeds of Tarlac (Tarlac RD), for the total consideration of P1,000,000.00 (sale transaction). The sale transaction was evidenced by the subject deed.^[11]

In October 2001, Gueco filed a petition^[12] for the surrender of the subject titles against B. Sta. Rita, its corporate secretary Edgardo Kanapi (Edgardo), and the Tarlac RD. The case was docketed as Civil Case No. 9245^[13] (surrender of titles case) and was raffled to the Regional Trial Court of Tarlac City, Branch 64 (RTC Branch 64).

In their Answer,^[14] B. Sta. Rita and Edgardo claimed that: (a) the sale transaction was a conditional sale of the subject properties for the total consideration of P25,000,000.00;^[15] (b) Gueco was the one who demanded that the subject deed evidencing the sale transaction be captioned as a deed of absolute sale for the purpose of obtaining funds to pay the required downpayment;^[16] (c) Gueco was only able to pay P1,565,000.00;^[17] and (d) B. Sta. Rita continued in possession of the subject properties until Ben Sta. Rita's death in 2001, when Gueco took possession thereof and appropriated the harvest.^[18] Hence, B. Sta. Rita and Edgardo prayed that: (a) the sale transaction be construed as a conditional sale, and that it be rescinded; (b) B. Sta. Rita be restored in the possession of the subject properties; and (c) Gueco be adjudged liable to pay P500,000.00 as moral damages,

P300,000.00 as exemplary damages, and P50,000.00 per agricultural year by way of damages for the misappropriated crops, among others.^[19]

On July 30, 2003, while the surrender of titles case was pending, Alfred Ramos Sta. Rita, Ariel Ramos Sta. Rita, and Arnold Ramos Sta. Rita, (Sta. Ritas), as alleged heirs of the late Ben Sta. Rita and as shareholders^[20] of B. Sta. Rita, for themselves, their co-heirs^[21] and on behalf of B. Sta. Rita, and by way of a derivative suit,^[22] filed a complaint^[23] for reformation and rescission of contract and quieting of title against Gueco. The case was docketed as Civil Case No. 9532 (reformation case) and was raffled to RTC Branch 63.

The Sta. Ritas alleged that the sale transaction was a conditional and not an absolute sale, for a consideration of P25,000,000.00, of which Gueco paid only P1,000,000.00.^[24] Further, they maintained that the subject deed was executed only for the purpose of helping Gueco secure a loan with the bank to pay the balance of the purchase price.^[25] Unfortunately, Gueco failed to obtain a loan and consequently failed to settle the outstanding balance despite demands;^[26] hence, the possession of the subject properties as well as the subject titles properly remained with B. Sta. Rita.

Meanwhile, the Sta. Ritas moved^[27] to intervene in the surrender of titles case, claiming similarity of the subject matter and parties, which RTC Branch 64 granted.^[28]

On the other hand, Gueco, as defendant in the reformation case, moved^[29] to dismiss the complaint on the following grounds, among others: (a) that the Sta. Ritas failed to comply with a condition precedent before resorting to a derivative suit, *i.e.*, to show and allege in the complaint that the officers of B. Sta. Rita refused to sue, are the ones being sued, or were the ones who held control of the corporation;^[30] and (b) that the Sta. Ritas are not parties to the subject deed and therefore, had no legal personality to seek its reformation or rescission.^[31]

Gueco's motion to dismiss was, however, denied by RTC Branch 63 in an Order^[32] dated August 26, 2003. Later, her motion for reconsideration^[33] therefrom was also denied,^[34] prompting her to elevate the matter to the CA *via* a petition for *certiorari*, docketed as CA-G.R. SP No. 79932 (*certiorari* case).^[35]

Subsequently, or on November 5, 2003, the surrender of titles and the reformation cases were ordered^[36] consolidated before RTC Branch 63.

On March 5, 2004, herein petitioner Arlene Sta. Rita Kanapi (Arlene), wife of Edgardo, together with the latter's heirs^[37] (Heirs of Edgardo), moved^[38] for leave to file their complaint-in-intervention^[39] in the reformation case, alleging that she is also a stockholder and director of B. Sta. Rita. The complaint-in-intervention reiterated the Sta. Ritas' allegations in the main complaint. In an Order^[40] dated March 15, 2004, RTC Branch 63 admitted the complaint-in-intervention and proceeded to hear the cases jointly.

On July 30, 2004, the CA rendered its Decision^[41] in the *certiorari* case, dismissing the reformation case due to the Sta. Ritas' lack of legal personality to bring a derivative suit. Citing Section 5,^[42] Rule III of the Rules of Procedure of the Securities and Exchange Commission, the CA found that while the Sta. Ritas may be shareholders of B. Sta. Rita at the time of the institution of their complaint against Gueco, their rights did not antedate nor coincide with the date of the questioned sale. Moreover, records are bereft of any showing that they had made any prior demand upon the Board of Directors of B. Sta. Rita to institute a case to preserve any corporate property which is a requirement for a derivative suit.

Aggrieved, the Sta. Ritas filed a motion for reconsideration which was, however, denied by the CA on October 28, 2004.^[43] As such, they filed a petition for review on *certiorari* before the Court, docketed as G.R. No. 165858.^[44]

In the meantime, RTC Branch 63 proceeded to hear the surrender of titles case independently of the reformation case.

The RTC Ruling

On December 8, 2005, RTC Branch 63 rendered a Joint Decision^[45] (Joint Decision), rescinding the sale transaction and directing the return of the amount of P1,000,000.00 to the former, with 6% interest from receipt of the said decision until finality and 12% interest from finality until fully paid.

It concluded that the parties had not intended to enter into a contract of sale but a mere contract to sell for the following reasons: (a) there was no immediate transfer of ownership from the seller to the buyer as Gueco only demanded for the delivery of the subject titles on May 21, 2001; (b) Gueco did not immediately take possession of the subject properties; and (c) B. Sta. Rita continued paying the real estate taxes due. However, it held that since Gueco paid the amount of P1,000,000.00, the said sum should be returned to her.^[46]

Dissatisfied, Gueco appealed the Joint Decision to the CA, ascribing error^[47] on the part of RTC Branch 63 in: (a) rendering a joint decision despite a pending incident in the reformation case; (b) allowing the intervention of the Sta. Ritas in the surrender of titles case; and (c) rescinding the absolute sale.

In the interim, the Court issued a Resolution^[48] dated January 25, 2006 in G.R. No. 165858, denying the Sta. Ritas' petition for failure to prosecute, which denial became final and executory on June 16, 2006.^[49] In fine, the reformation case had been dismissed with finality.

The CA Ruling

In a Decision^[50] dated January 21, 2010 (CA Decision), the CA reversed and set aside the Joint Decision. It held that the final dismissal of the reformation case left only the surrender of titles case for RTC Branch 63 to resolve. As rescission was one of the main issues raised in the dismissed reformation case, it was reversible error on the part of the RTC Branch 63 to have rescinded the sale transaction in favor of the Sta. Ritas. Consequently, the CA struck down the Joint Decision under the

principles of the law of the case and *res judicata*.^[51]

Due to the CA's adverse ruling, Arlene, for herself and purportedly on behalf of B. Sta. Rita, moved for reconsideration,^[52] maintaining that *res judicata* cannot apply, there being no identity of parties as she was not one of the original plaintiffs in the dismissed reformation case. Gueco opposed^[53] Arlene's motion, pointing out that the latter filed a complaint-in-intervention in the reformation case and, as a result of its dismissal, the aforementioned complaint was necessarily discharged. Eventually, Arlene's motion for reconsideration was denied by the CA in a Resolution^[54] dated July 26, 2010.

The Issues Before the Court

Undaunted, Arlene, for herself and in representation of the Heirs of Edgardo and B. Sta. Rita, is now before the Court, insisting that the dismissal of the reformation case on the ground of lack of legal personality on the part of the Sta. Ritas should not have affected her complaint-in-intervention. She maintains that the CA erred in applying the doctrine of *res judicata* in reversing the Joint Decision. Finally, she asserts that the sale transaction between Gueco and B. Sta. Rita should have been considered as an equitable mortgage, considering the paltry amount of P1,000,000.00 by way of consideration for the subject properties.^[55]

The Court's Ruling

The petition must be denied.

This course of action is impelled by the fact that Arlene and the Heirs of Edgardo do not have any legal personality to appeal the CA Decision before the Court since: **first**, they were only intervenors in the reformation case which had already been dismissed by the Court with finality; and **second**, they were not parties in the surrender of titles case.

With respect to the first incident, it bears to stress that Arlene's and the Heirs of Edgardo's complaint-in-intervention in the dismissed reformation case had been effectively discharged since the principal complaint therein had already been terminated with finality. Clearly, their complaint-in-intervention cannot be treated as an independent action as it is merely an ancillary to and a supplement of the principal action.^[56] In other words, the complaint-in-intervention essentially latches on the complaint for its legal efficacy so much so that the dismissal of the complaint leads to its concomitant dismissal. Applying these principles to this case therefore lead to the conclusion that the dismissal of the main complaint in the reformation case necessarily resulted in the dismissal of Arlene's and the Heirs of Edgardo's complaint-in-intervention lodged in the same case.

Anent the second incident, records disclose that Arlene or the Heirs of Edgardo were not parties – either as defendants or intervenors – in the surrender of titles case nor did they, in any manner, participate in the proceedings of the same. It is a standing rule that no person shall be adversely affected by the outcome of a civil action or proceeding in which he is not a party.^[57] In this light, it cannot be gainsaid that Arlene and the Heirs of Edgardo cannot be adversely affected by the outcome of the