

## SECOND DIVISION

[ G.R. No. 200858, August 07, 2013 ]

**NATIONAL HOUSING AUTHORITY, PETITIONER, VS. CORAZON B. BAELO, WILHELMINA BAELO-SOTTO, AND ERNESTO B. BAELO, JR., RESPONDENTS.**

### D E C I S I O N

**CARPIO, J.:**

#### The Case

Before the Court is a petition for review on certiorari<sup>[1]</sup> assailing the 28 November 2011 Decision<sup>[2]</sup> and the 27 February 2012 Resolution<sup>[3]</sup> of the Court of Appeals in CA-G.R. CV No. 93512.

#### The Antecedent Facts

The facts, gathered from the assailed decision of the Court of Appeals, are as follows:

On 21 September 1951, Pedro Baello (Pedro) and Nicanora Baello (Nicanora) filed an application for registration of a parcel of land with the Court of First Instance (CFI) of Rizal, covering the land they inherited from their mother, Esperanza Baello. The land, situated in Sitio Talisay, Municipality of Caloocan, had an area of 147,972 square meters. The case was docketed as LRC Case No. 520.

On 2 November 1953, the CFI of Rizal rendered its decision confirming the title of the applicants to the land in question. The CFI of Rizal awarded the land to Pedro and Nicanora, *pro indiviso*. Pedro was awarded 2/3 of the land while Nicanora was awarded 1/3. The Republic of the Philippines, through the Director of the Bureau of Lands, did not appeal. The decision became final and executory.

On 27 October 1954, acting on the orders of the CFI of Rizal, the Land Registration Commission issued Decree No. 13400 in favor of "Pedro T. Baello, married to Josefa Caiña" covering the 2/3 portion of the property and in favor of "Nicanora T. Baello, married to Manuel J. Rodriguez" covering the remaining 1/3 portion. The Register of Deeds issued Original Certificate of Title (OCT) No. (804) 53839 in favor of Pedro and Nicanora. The property was later subdivided into two parcels of land: Pedro's lot was Lot A (Baello property), with an area of 98,648 square meters, and covered by TCT No. 181493, while Nicanora's lot was Lot B (Rodriguez property), with an area of 49,324 square meters. The subdivision plan was approved on 27 July 1971.

On 3 December 1971, Pedro died intestate, leaving 32 surviving heirs including respondents Corazon B. Baello (Corazon), Wilhelmina Baello-Sotto (Wilhelmina), and Ernesto B. Baello, Jr.<sup>[4]</sup> (Ernesto), collectively referred to in this case as

respondents. On 22 August 1975, Nicanora died intestate. Nicanora's husband died a few days later, on 30 August 1975.

On 30 October 1974, during the martial law regime, President Ferdinand E. Marcos issued Presidential Decree No. 569 creating a committee to expropriate the Dagat-Dagatan Lagoon and its adjacent areas, including the Baello and Rodriguez properties. The government wanted to develop the properties into an industrial/commercial complex and a residential area for the permanent relocation of families affected by the Tondo Foreshore Urban Renewal Project Team. First Lady Imelda R. Marcos also launched the Dagat-Dagatan Project, a showcase program for the homeless. It also covered the Baello and Rodriguez properties. The National Housing Authority (NHA) was tasked to develop the property into a residential area, subdivide it, and award the lots to the beneficiaries.

Thereafter, a truckload of fully-armed military personnel entered the Baello property and ejected the family caretaker at gunpoint. The soldiers demolished the two-storey residential structure and destroyed the fishpond improvements on the Baello property. The NHA then took possession of the Baello and Rodriguez properties. The Baello and Rodriguez heirs, for fear of losing their lives and those of their families, decided to remain silent and did not complain. The NHA executed separate conditional contracts to sell subdivision lots in favor of chosen beneficiaries who were awarded 620 lots from the Baello property and 275 lots from the Rodriguez property.

On 13 April 1983, Proclamation No. 2284 was issued declaring the Metropolitan Manila, including the Dagat-Dagatan area, as area for priority development and Urban Land Reform Zones. Again, the Baello and Rodriguez properties were included in the areas covered by the proclamation. On 17 January 1986, Minister of Natural Resources Rodolfo P. Del Rosario issued BFD Administrative Order No. 4-1766 declaring and certifying forestlands in Caloocan City, Malabon, and Navotas, covering an aggregate area of 6,762 hectares, as alienable or disposable for cropland and other purposes.

On 23 February 1987, after the EDSA People Power Revolution, the heirs of Baello executed an extrajudicial partition of Pedro's estate, which included the Baello property. Respondents were issued TCT No. 280647 over an undivided portion, comprising 8,404 square meters, of the Baello property. Corazon and Wilhelmina later sold their shares to Ernesto who was issued TCT No. C-362547 in his name.

On 18 August 1987, the NHA filed an action for eminent domain against the heirs of Baello and Rodriguez before the Regional Trial Court of Caloocan City, Branch 120 (RTC Branch 120). The case was docketed as Civil Case No. C-169. The NHA also secured a writ of possession. In an Order dated 5 September 1990, the RTC Branch 120 dismissed the complaint on the ground of *res judicata* and lack of cause of action. The NHA appealed to the Court of Appeals, docketed as CA-G.R. CV No. 29042. On 21 August 1992, the Court of Appeals affirmed the Order of the RTC Branch 120. The NHA filed a petition for review before this Court, docketed as **G.R. No. 107582**. In a Resolution dated 3 May 1993, this Court denied due course to the petition on the ground that the Court of Appeals did not commit any reversible error in affirming the order of the RTC Branch 120. The NHA filed a motion for reconsideration but it was denied in a Resolution dated 16 January 1993. The Clerk of Court later made an Entry of Judgment.

On 5 November 1993, the NHA filed a complaint for nullity of OCT No. (804) 53839 issued in the names of Pedro and Nicanora. The case was raffled to the RTC of Caloocan City, Branch 128 (RTC Branch 128) and docketed as Civil Case No. C-16399. In a Resolution dated 17 October 1995, the RTC Branch 128 dismissed the complaint on grounds of estoppel and *res judicata* and because the issue on the legal nature and ownership of the property covered by OCT No. (804) 53839 was already barred by a final judgment in LRC Case No. 520. The NHA appealed to the Court of Appeals, docketed as CA-G.R. CV No. 51592. In a Decision dated 26 January 2000, the Court of Appeals affirmed the decision of the RTC Branch 128. Again, the NHA went to this Court to assail the decision of the Court of Appeals. The case was docketed as **G.R. No. 143230**. In a Decision<sup>[5]</sup> promulgated on 20 August 2004, this Court denied the NHA's petition for lack of merit. The Court ruled that NHA's action was barred by the decision of the CFI of Rizal in LRC Case No. 520. This Court held that the NHA was already barred from assailing the validity of OCT No. (804) 53839 and its derivative titles based on judicial estoppel.

Meanwhile, on 30 June 1994, during the pendency of Civil Case No. C-16399, respondents filed an action for Recovery of Possession and Damages against the NHA and other respondents,<sup>[6]</sup> docketed as Civil Case No. C-16578. NHA, in its Answer, alleged that OCT No. (804) 53839, respondents' derivative title, was obtained fraudulently because the land covered was declared alienable and disposable only on 17 January 1986. The case was initially sent to archives, upon joint motion of the parties, pending resolution by this Court of G.R. No. 143230. Trial resumed upon the denial by this Court of the NHA's petition in G.R. No. 143230.<sup>[7]</sup>

### **The Decision of the Trial Court**

On 13 May 2009, the Regional Trial Court of Caloocan City, Branch 128 (trial court) rendered its Decision<sup>[8]</sup> in favor of respondents. The trial court ruled that the dismissal of NHA's complaint for expropriation and for declaration of nullity of OCT No. (804) 53839 in the names of Pedro and Nicanora left NHA with no right to hold possession of respondents' property which was admittedly a part of Pedro's land. The trial court ruled that this Court already declared respondents as the *bona fide* owners of the land and as such, their right to possession and enjoyment of the property becomes indisputable.

The trial court further held that respondents were entitled to compensation equal to the fair rental value of the property, as well as to moral and exemplary damages, for the period NHA was in possession of the property.

The dispositive portion of the trial court's decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendant National Housing Authority as follows:

1. Defendant National Housing Authority and all persons and entities claiming rights under it, is (sic) ordered to surrender and turn over possession of the land embraced in Transfer Certificate of Title No. C-

362547 to herein plaintiffs.

2. Defendant National Housing Authority is ordered to pay the plaintiffs reasonable compensation or fair rental value for the land, starting from the date of demand on September 21, 1993 up to the time it actually surrenders possession of the premises to the plaintiffs at the rate of Fifty Thousand Pesos (Php50,000.00) per month.

3. The defendant National Housing Authority is likewise ordered to pay as follows:

(a) One Hundred Thousand Pesos (Php100,000.00) as moral damages.

(b) One Hundred Thousand Pesos (Php100,000.00) as exemplary damages.

(c) Fifty Thousand Pesos (Php50,000.00) as attorney's fees.

4. The defendant National Housing Authority is ordered to pay the cost of suit.

SO ORDERED.<sup>[9]</sup>

The NHA appealed the trial court's decision to the Court of Appeals.

### **The Decision of the Court of Appeals**

In its 28 November 2011 Decision, the Court of Appeals denied the NHA's appeal. The Court of Appeals took judicial notice of the rulings of this Court in G.R. No. 107582 and G.R. No. 143230.

The Court of Appeals ruled that the main issue raised by the NHA, that is, the alleged nullity of OCT No. (804) 53839 from which respondents derived their title, was already resolved by this Court in G.R. No. 143230. This Court already declared in G.R. No. 143230 that the NHA was judicially estopped from assailing OCT No. (804) 53839. The Court of Appeals further ruled that this Court already declared that the NHA acted in bad faith when it took possession of respondents' property in 1976 despite knowledge of the ownership of the Baello and Rodriguez heirs. The Court of Appeals also sustained the findings of the trial court that respondents were entitled to moral and exemplary damages as well as attorney's fees.

The dispositive portion of the Court of Appeals' decision reads:

WHEREFORE, foregoing considered, the appeal is hereby DENIED and the March 13, 2009 Decision of the Regional Trial Court of Caloocan City, Branch 128 in Civil Case No. C-16578 is AFFIRMED *in toto*.

SO ORDERED.<sup>[10]</sup>

The NHA filed a motion for reconsideration.

In its 27 February 2012 Resolution, the Court of Appeals denied the motion.

Hence, the petition before this Court.

### **The Issues**

The NHA raised the following issues before this Court:

- (1) Whether the Court of Appeals committed a reversible error in finding that the NHA was a builder or possessor in bad faith;
- (2) Whether the Court of Appeals committed a reversible error in adopting the facts in G.R. No. 143230 when the case was not tried on the merits; and
- (3) Whether the Court of Appeals committed a reversible error in awarding damages to respondents.

### **The Ruling of this Court**

The petition has no merit.

The doctrine of *res judicata* has been explained as follows:

The rule is that when material facts or questions, which were in issue in a former action and were admitted or judicially determined are conclusively settled by a judgment rendered therein, such facts or questions become *res judicata* and may not again be litigated in a subsequent action between the same parties or their privies regardless of the form of the latter.

Jurisprudence expounds that the concept of *res judicata* embraces two aspects. The first, known as "bar by prior judgment," or "estoppel by verdict," is the effect of a judgment as a bar to the prosecution of a second action upon the same claim, demand or cause of action. The second, known as "conclusiveness of judgment," otherwise known as the rule of *autre action pendent*, ordains that issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties involving a different cause of action. x x x.<sup>[11]</sup>

The Court explained further:

Conclusiveness of judgment does not require identity of the causes of action for it to work. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit; but the adjudication of an issue in the first case is not conclusive of an entirely different and distinct issue arising in the second. Hence, facts and issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties, even if the latter suit may involve a different claim or cause of action.<sup>[12]</sup>