

FIRST DIVISION

[G.R. No. 163602, September 07, 2011]

**SPOUSES EULOGIA MANILA AND RAMON MANILA, PETITIONERS,
VS. SPOUSES EDERLINDA GALLARDO-MANZO AND DANIEL
MANZO, RESPONDENTS.**

D E C I S I O N

VILLARAMA, JR., J.:

This resolves the petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision^[1] dated February 27, 2004 and Resolution^[2] dated May 14, 2004 of the Court of Appeals (CA) in CA-G.R. SP No. 49998 which granted the petition for annulment of judgment filed by the respondents.

The controversy stemmed from an action for ejectment^[3] filed by the respondents, spouses Ederlinda Gallardo-Manzo and Daniel Manzo, against the petitioners, spouses Ramon and Eulogia Manila, before the Metropolitan Trial Court (MeTC) of Las Piñas City, Branch 79 (Civil Case No. 3537). The facts as summarized by the said court are as follows:

On June 30, 1982, Ederlinda Gallardo leased two (2) parcels of land situated along Real St., Manuyo, Las Piñas, Metro Manila, to Eulogia Manila for a period of ten (10) years at a monthly rental(s) of P2,000.00 for the first two years, and thereafter an increase of ten (10) percent every after two years. They also agreed that the lessee shall have the option to buy the property within two (2) years from the date of execution of the contract of lease at a fair market value of One Hundred and Fifty Thousand Pesos (P150,000.00)

The contract of lease expired on July 1, 1992 but the lessee continued in possession of the property despite a formal demand letter dated August 8, 1992, to vacate the same and pay the rental arrearages. In a letter reply dated August 12, 1992, herein defendant claimed that no rental fee is due because she allegedly became the owner of the property at the time she communicated to the plaintiff her desire to exercise the option to buy the said property.

Their disagreement was later brought to the Barangay for conciliation but the parties failed to reach a compromise, hence the present action.^[4]

On July 14, 1993, the MeTC rendered its decision,^[5] the dispositive portion of which

reads:

WHEREFORE, a judgment is rendered in favor of the plaintiffs ordering the defendants:

- 1) To vacate the subject parcels of land and surrender possession thereof upon the payment by the plaintiff of one-half of the value of the building constructed by the lessee. Should the lessor refuse to reimburse the aforesaid amount, the lessee shall have the option to exercise her right under Article 1678 of the New Civil Code;
- 2) To pay rental arrearages up to July 1, 1992 in the amount of Two Hundred Twenty Eight Thousand and Forty Four 80/100 Pesos (P228,044.80);
- 3) To pay, as reasonable compensation for their continued withholding of possession of the subject lots, the sum of Three Thousand Two Hundred and Twenty One Pesos (P3,221.00) every month, commencing July 2, 1992 up to such time that they finally yield possession thereof to the plaintiffs, subject to an increase of ten percent (10%) after every two (2) years from said date; and
- 4) To pay plaintiffs attorney's fees in the sum of Five Thousand Pesos (P5,000.00)

No pronouncement as to costs.

SO ORDERED.^[6]

Petitioners appealed to the Regional Trial Court (RTC) of Makati City, Branch 63 (Civil Case No. 93-3733) which reversed the MeTC. The RTC found that petitioners have in fact exercised their option to buy the leased property but the respondents refused to honor the same. It noted that respondents even informed the petitioners about foreclosure proceedings on their property, whereupon the petitioners tried to intervene by tendering rental payments but the respondents advised them to withhold such payments until the appeal of respondents in the case they filed against the Rural Bank of Bombon (Camarines Sur), Inc. (Civil Case No. 6062) is resolved. It further noted that respondents' intention to sell the lot to petitioners is confirmed by the fact that the former allowed the latter to construct a building of strong materials on the premises. The RTC thus decreed:

IN THE LIGHT OF THE FOREGOING, judgment is hereby rendered reversing the decision of the lower court dated July 14, 1993 and ordering as follows:

- 1) That plaintiffs execute a deed of absolute sale over that parcel of land subject of the Contract of Lease dated June 30, 1982 after full payment of defendants of the purchase price of P150,000.00;
- 2) That plaintiffs pay the costs of suit.

SO ORDERED.^[7]

Respondents filed a motion for reconsideration on December 23, 1994. In its Order dated March 24, 1995, the RTC denied the motion for having been filed beyond the fifteen (15)-day period considering that respondents received a copy of the decision on December 7, 1994.^[8] Consequently, the November 18, 1994 decision of the RTC became final and executory.^[9]

On December 22, 1998, respondents filed a petition for annulment of the RTC decision in the CA. Respondents assailed the RTC for ordering them to sell their property to petitioners arguing that said court's appellate jurisdiction in ejectment cases is limited to the determination of who is entitled to the physical possession of real property and the only judgment it can render in favor of the defendant is to recover his costs, which judgment is conclusive only on the issue of possession and does not affect the ownership of the land. They contended that the sale of real property by one party to another may be ordered by the RTC only in a case for specific performance falling under its original exclusive jurisdiction, not in the exercise of its appellate jurisdiction in an ejectment case. Respondents also alleged that the petition for annulment is the only remedy available to them because the ordinary remedies of new trial, appeal, petition for relief or other appropriate remedies are no longer available through no fault on their part.

By Decision dated February 27, 2004, the CA granted the petition, annulled the November 18, 1994 RTC decision and reinstated the July 14, 1993 MeTC decision. On the issue of lack of jurisdiction raised by the respondents, the CA ruled as follows:

It must be stressed that the main action before the Metropolitan Trial Court is one for ejectment grounded on the expiration of the parties' contract of lease. And said court, finding that petitioners have a valid right to ask for the ejectment of private respondents, ordered the latter to vacate the premises and to pay their rentals in arrears. To Our mind, what the respondent court should have done **in the exercise of its appellate jurisdiction**, was to confine itself to the issue of whether or not petitioners have a valid cause of action for ejectment against the private respondents.

Unfortunately, in the decision herein sought to be annulled, the respondent court went further than what is required of it as an appellate court when it ordered the petitioners to sell their properties to the private respondents. In a very real sense, **the respondent court materially changed the nature of petitioners' cause of action by deciding the question of ownership even as the appealed case involves only the issue of prior physical possession which, in every ejectment suit, is the only question to be resolved.** As it were, the respondent court converted the issue to one for specific performance which falls under its **original**, not appellate jurisdiction. Sad to say, this cannot be done by the respondent court in an appealed ejectment case because the essential criterion of appellate jurisdiction is that it revises and corrects the proceedings in a cause already instituted and does not create that

cause (*Marbury v. Madison*, 1 Cranch (U.S.), 137, 172, 2 L. edition 60, cited in 15 Corpus Juris 727).

It follows that the respondent Regional Trial Court clearly acted without jurisdiction when it ordered the petitioners to sell their properties to the private respondents. The order to sell can be made only by the respondent court in an action for specific performance under its exclusive original jurisdiction, and not in the exercise of its **appellate** jurisdiction in an appealed ejectment suit, as in this case. Worse, the relief granted by the same court was not even prayed for by the private respondents in their Answer and position paper before the MTC, whereat they only asked for the dismissal of the complaint filed against them.^[10] (Emphasis supplied.)

With the denial of their motion for reconsideration, petitioners filed the present petition raising the following issues:

A

WHETHER THE COURT OF APPEALS COMMITTED A GRAVE ERROR IN ANNULING THE JUDGMENT BY THE REGIONAL TRIAL COURT OF MAKATI CITY NOTWITHSTANDING THE FINDING THAT THE ORDINARY REMEDIES OF NEW TRIAL, APPEAL, PETITION FOR RELIEF OR OTHER APPROPRIATE REMEDIES WERE LOST THROUGH THE FAULT OF THE RESPONDENTS

B

WHETHER THE COURT OF APPEALS COMMITTED A GRAVE ERROR IN ANNULING THE JUDGMENT BY THE REGIONAL TRIAL COURT OF MAKATI CITY ON THE GROUND OF "LACK OF JURISDICTION" WHEN IT HAS NOT BEEN SHOWN THAT THE REGIONAL TRIAL COURT OF MAKATI CITY HAD NO JURISDICTION OVER THE PERSON OF THE RESPONDENTS OR THE SUBJECT MATTER OF THE CLAIM^[11]

The petition is meritorious.

A petition for annulment of judgments or final orders of a Regional Trial Court in civil actions can only be availed of where "the ordinary remedies of new trial, appeal, petition for relief or other appropriate remedies are no longer available through no fault of the petitioner."^[12] It is a remedy granted only under exceptional circumstances and such action is never resorted to as a substitute for a party's own neglect in not promptly availing of the ordinary or other appropriate remedies.^[13] The only grounds provided in Sec. 2, Rule 47 are extrinsic fraud and lack of jurisdiction.

In this case, respondents alleged that the loss of remedies against the RTC decision was attributable to their former counsel's late filing of their motion for reconsideration and failure to file any proper petition to set aside the said decision. They claimed that they had been constantly following up the status of the case with

their counsel, Atty. Jose Atienza, who repeatedly assured them he was on top of the situation and would even get angry if repeatedly asked about the case. Out of their long and close relationship with Atty. Atienza and due regard for his poor health due to his numerous and chronic illnesses which required frequent prolonged confinement at the hospital, respondents likewise desisted from hiring the services of another lawyer to assist Atty. Atienza, until the latter's death on September 10, 1998. Thus, it was only on November 1998 that respondents engaged the services of their new counsel who filed the petition for annulment of judgment in the CA.

We are not persuaded by respondents' asseveration. They could have directly followed up the status of their case with the RTC especially during the period of Atty. Atienza's hospital confinement. As party litigants, they should have constantly monitored the progress of their case. Having completely entrusted their case to their former counsel and believing his word that everything is alright, they have no one to blame but themselves when it turned out that their opportunity to appeal and other remedies from the adverse ruling of the RTC could no longer be availed of due to their counsel's neglect. That respondents continued to rely on the services of their counsel notwithstanding his chronic ailments that had him confined for long periods at the hospital is unthinkable. Such negligence of counsel is binding on the client, especially when the latter offered no plausible explanation for his own inaction. The Court has held that when a party retains the services of a lawyer, he is bound by his counsel's actions and decisions regarding the conduct of the case. This is true especially where he does not complain against the manner his counsel handles the suit.^[14] The oft-repeated principle is that an action for annulment of judgment cannot and is not a substitute for the lost remedy of appeal.^[15]

In any event, the petition for annulment was based not on fraudulent assurances or negligent acts of their counsel, but on lack of jurisdiction.

Petitioners assail the CA in holding that the RTC decision is void because it granted a relief inconsistent with the nature of an ejectment suit and not even prayed for by the respondents in their answer. They contend that whatever maybe questionable in the decision is a ground for assignment of errors on appeal - or in certain cases, as ground for a special civil action for certiorari under Rule 65 - and not as ground for its annulment. On the other hand, respondents assert that the CA, being a higher court, has the power to adopt, reverse or modify the findings of the RTC in this case. They point out that the CA in the exercise of its sound discretion found the RTC's findings unsupported by the evidence on record which also indicated that the loss of ordinary remedies of appeal, new trial and petition for review was not due to the fault of the respondents.

We agree with the petitioners.

Lack of jurisdiction as a ground for annulment of judgment refers to either lack of jurisdiction over the person of the defending party or over the subject matter of the claim.^[16] In a petition for annulment of judgment based on lack of jurisdiction, petitioner must show not merely an abuse of jurisdictional discretion but an absolute **lack** of jurisdiction. Lack of jurisdiction means absence of or no jurisdiction, that is, the court should not have taken cognizance of the petition because the law does not vest it with jurisdiction over the subject matter. Jurisdiction over the nature of the action or subject matter is conferred by law.^[17]