

SECOND DIVISION

[G.R. No. 133113, August 30, 2001]

**EDGAR H. ARREZA, PETITIONER, VS. MONTANO M. DIAZ, JR.,
RESPONDENT.**

D E C I S I O N

QUISUMBING, J.:

This petition assails the decision^[1] promulgated on December 24, 1997, and the resolution^[2] dated March 6, 1998, by the Court of Appeals in CA-G.R. SP No. 43895. That decision dismissed the petition for certiorari questioning the order^[3] dated February 4, 1997 of the Regional Trial Court of Makati City, Branch 59, in Civil Case No. 96-1372, which had denied petitioner's motion to dismiss the complaint filed against him on grounds of *res adjudicata*.

The factual antecedents of the present petition are culled from the findings of the Court of Appeals.

Bliss Development Corporation is the owner of a housing unit located at Lot 27, Block 30, New Capitol Estates I, Barangay Matandang Balara, Quezon City. In the course of a case involving a conflict of ownership between petitioner Edgar H. Arreza and respondent Montano M. Diaz, Jr.,^[4] docketed as Civil Case No. 94-2086 before the Regional Trial Court of Makati, Branch 146, Bliss Development Corporation filed a complaint for interpleader.

In a decision dated March 27, 1996, the trial court resolved the conflict by decreeing as follows:

WHEREFORE, premises considered, the herein interpleader is resolved in favor of defendant Edgar H. Arreza, and plaintiff Bliss Development is granted cognizance of the May 6, 1991 transfer of rights by Emiliano and Leonila Melgazo thru Manuel Melgazo, to said defendant Edgar Arreza. The case is dismissed as against defendant Montano M. Diaz, Jr.

The third-party complaint is likewise dismissed.

SO ORDERED.

The decision became final and was duly executed with Bliss executing a Contract to Sell the aforementioned property to petitioner Arreza. Respondent Diaz was constrained to deliver the property with all its improvements to petitioner.

Thereafter respondent Diaz filed a complaint against Bliss Development

Corporation, Edgar H. Arreza, and Domingo Tapay in the Regional Trial Court of Makati, Branch 59, docketed as Civil Case No. 96-1372. He sought to hold Bliss Development Corporation and petitioner Arreza liable for reimbursement to him of P1,706,915.58 representing the cost of his acquisition and improvements on the subject property with interest at 8% per annum.

Petitioner Arreza filed a Motion to Dismiss the case, citing as grounds *res adjudicata* or conclusiveness of the judgment in the interpleader case as well as lack of cause of action.

In an Order dated February 4, 1997, the motion was denied for lack of merit.

A Motion for Reconsideration filed by Arreza was likewise denied on March 20, 1997.

On April 16, 1997, Arreza filed a petition for certiorari before the Court of Appeals alleging that the Orders dated February 4 and March 20, 1997, were issued against clear provisions of pertinent laws, the Rules of Court, and established jurisprudence such that respondent court acted without or in excess of jurisdiction, or grave abuse of discretion amounting to lack or excess of jurisdiction.

The petition was dismissed for lack of merit. The Court of Appeals said:

The decision invoked by the petitioner as *res adjudicata* resolved only the issue of who between Edgar H. Arreza and Montano Diaz has the better right over the property under litigation. It did not resolve the rights and obligations of the parties.

The action filed by Montano M. Diaz against Bliss Development Corporation, et al. seeks principally the collection of damages in the form of the payments Diaz made to the defendant and the value of the improvements he introduced on the property - matters that were not adjudicated upon in the previous case for interpleader.

x x x

WHEREFORE, this petition is hereby DISMISSED with costs against the petitioner.

SO ORDERED.^[5]

Petitioner's motion to reconsider the decision of the Court of Appeals was denied.^[6] Hence, the present petition, where petitioner raises the following grounds for review:

I

THE CAUSE OF ACTION EMBODIED IN THE PRESENT RTC CASE
PERTAINING TO MR. DIAZ'S CLAIMS FOR REIMBURSEMENT OF AMOUNTS

WHICH HE ALLEGEDLY PAID TO BLISS BY WAY OF PREMIUM OR INSTALLMENT PAYMENTS FOR THE ACQUISITION OF THE PROPERTY WAS ERRONEOUSLY BROUGHT AGAINST MR. ARREZA. ALSO, SAID CLAIMS ARE BARRED BY *RES ADJUDICATA* OR CONCLUSIVENESS OF A PRIOR JUDGMENT IN THE PRIOR RTC CASE WHICH WAS ULTIMATELY AFFIRMED BY THIS HONORABLE COURT IN G.R. NO. 128726.

II.

THE CAUSE OF ACTION EMBODIED IN THE PRESENT RTC CASE PERTAINING TO MR. DIAZ'S CLAIMS FOR REIMBURSEMENT OF THE COST OF IMPROVEMENTS HE ALLEGEDLY INTRODUCED TO THE PROPERTY IS LIKEWISE BARRED BY *RES ADJUDICATA* OR CONCLUSIVENESS OF A PRIOR JUDGMENT IN THE PRIOR RTC CASE WHICH WAS ULTIMATELY AFFIRMED BY THIS HONORABLE COURT IN G.R. NO. 128726.

III.

THE RULING IN THE PRIOR CA PETITION (CA-G.R. SP. NO. 41974) WHICH WAS ULTIMATELY AFFIRMED BY THIS HONORABLE COURT IN G.R. NO. 128726 THAT THE DECISION IN THE PRIOR RTC CASE SETTLED ALL CLAIMS WHICH MESSRS. DIAZ AND ARREZA HAD AGAINST EACH OTHER CONSTITUTES THE LAW OF THE CASE BETWEEN THEM AND SERVES AS BAR TO THE FILING OF THE PRESENT RTC CASE INVOLVING THE SAME CLAIMS.

IV.

IN ITS ENTIRETY, THE AMENDED COMPLAINT IN THE PRESENT RTC CASE IS DISMISSIBLE ON THE GROUND OF LACK OF CAUSE OF ACTION.^[7]

The issue for our resolution now is whether respondent Diaz's claims for reimbursement against petitioner Arreza are barred by *res adjudicata*.

The elements of *res adjudicata* are: (a) that the former judgment must be final; (b) the court which rendered judgment had jurisdiction over the parties and the subject matter; (c) it must be a judgment on the merits; and (d) there must be between the first and second causes of action identity of parties, subject matter, and cause of action.^[8]

Worthy of note, the prior case for interpleader filed with Branch 146 of the Regional Trial Court of Makati, Civil Case No. 94-2086, was settled with finality with this Court's resolution in G.R. No. 128726.^[9] The judgment therein is now final.

When the Regional Trial Court of Makati (Branch 146) rendered judgment, it had priorly acquired jurisdiction over the parties and the subject matter. Respondent, however, contends that the trial court did not acquire jurisdiction over the property subject of the action, as the action was instituted in Makati City while the subject unit is situated in Quezon City.