

THIRD DIVISION

[G.R. No. 137857, September 11, 2000]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY ASSET
PRIVATIZATION TRUST, PETITIONER, VS. THE HEIRS OF
SANCHO MAGDATO, REPRESENTED BY NELSON M. FERRIOL,
RESPONDENTS.**

DECISION

PANGANIBAN, J.:

In an action for quieting of title, recovery of possession and ownership of a parcel of land, and damages, the mortgagee of the equipment and other improvements located on the land is not an indispensable party, if the said mortgagee does not claim any right to ownership or possession of such real estate. Hence, the non-joinder of the mortgagee in such suit does not justify an annulment of the judgment thereon on the ground of extrinsic fraud.

The Case

Before us is a Petition for Review under Rule 45 of the Rules of Court. The Petition assails the January 18, 1999 Resolution^[1] of the Court of Appeals (CA) in CA-GR SP No. 49976, which reads as follows:

"The petition for annulment of judgment in Civil Case No. V-1040 of Branch 81 of the Regional Trial Court of Romblon raising essentially intrinsic fraud and factual issues, in addition, the Court resolved to DISMISS the petition."^[2] (sic)

Also assailed is the May 5, 1999 CA Resolution,^[3] which denied the Motion for Reconsideration.

The trial court ruling^[4] sought to be annulled by petitioner was issued by the Regional Trial Court (RTC) of Romblon, Romblon on January 31, 1994 in Civil Case No. V-1040. The case -- for quieting of title, recovery of possession and ownership, and damages - was entitled "*Heirs of Sancho Magdato, herein represented by Nelson M. Ferriol[,] v. Imperial Marble and Exploration Corporation and Ramon S. Dino, President and General Manager; Filipinas Marble Corporation and Vicente D. Millora, President and/or Chairman of the Board.*" It disposed as follows:^[5]

"WHEREFORE, judgment is rendered:

- a) Ordering the defendants to vacate lot 898 and restoring plaintiff in possession thereof as true and lawful owner of the same;

- b) Ordering the defendants jointly and severally to pay plaintiff the rentals due on the property from January 1970 up to December 1993 in the amount of seventeen thousand six hundred two pesos and thirty six centavos (P17,602.36), and the amount of three hundred ninety six pesos and ninety centavos (P396.90) every six months thereafter until the plaintiff is restored in possession of the land, with interest on both amounts at the legal rate from January 15, 1990 until fully paid;
- c) Ordering the defendants jointly and severally to pay plaintiff moral damages in the sum of thirty thousand pesos (P30,000.00) and the amount of fifty thousand pesos (P50,000.00) as exemplary damages; and ten thousand pesos (P10,000.00) as attorney's fees."

The Facts

The following undisputed facts may be gleaned from the pleadings of the parties.

The land in question was Lot No. 898 of the Romblon Cadastre with a total area of 10,891 square meters. It was originally leased from Sancho Magdato by Cebu Portland Cement Corporation (CEPOC), a government-owned and controlled corporation.

In 1961, CEPOC sold its buildings, equipment, machinery and other structures to Filipinas Marble Corporation (FILMARCO), which continued paying rentals to Magdato. FILMARCO, in turn, subleased the premises to Imperial Marble & Exploration Corporation (IMEC).

Subsequently, FILMARCO obtained a loan in the amount of US\$5 million from the Development Bank of the Philippines (DBP). As a security, it executed a chattel mortgage over its properties on the land. In 1987, DBP transferred to the Asset Privatization Trust (APT) its financial claim against FILMARCO. In 1990, APT placed a caretaker in the area to oversee the safekeeping of the mortgaged properties.

When FILMARCO failed to pay rentals, the heirs of Sancho Magdato filed before the RTC Civil Case No. V-1040 for quieting of title, recovery of possession and ownership of the land, and damages against FILMARCO and IMEC.

For failure to file an answer to the Complaint, both FILMARCO and IMEC were declared in default. Respondents were then allowed to present evidence *ex parte*. Thereafter, the trial court rendered its assailed Decision, which became final and executory when neither FILMARCO nor IMEC appealed.

APT allegedly learned of the suit only on December 20, 1994 when the Writ of Execution was served on its caretakers at the leased premises. The caretakers refused to vacate the premises.

Respondent narrated the subsequent events in this wise: "A series of motions and manifestations were filed by respondents and APT. Respondents moved to have the APT-appointed caretakers cited in contempt; this was denied by the trial court. On the other hand, APT asked for quashal of the Writ on ground that it was not a party

to the case and could, thus, not be forced to comply with the Writ of Execution; furthermore, APT asked also for the pull-out and removal of respondents from the property. The first prayer of APT was not granted by the trial court even as it confirmed that APT was not party to the case; the latter prayer of APT was denied by the trial court. A motion for reconsideration by APT of the denial of the latter relief proved fruitless as the trial court remained steadfast in its decision to confirm respondents as the owners of the property."

On December 21, 1998, APT filed before the Court of Appeals a Petition for the annulment of the RTC Decision. As earlier stated, the CA resolved to dismiss the Petition.

Hence, this recourse to this Court.^[6]

The Issues

In its Memorandum, petitioner submits the following issues for our consideration:^[7]

I

"Whether or not sufficient ground exists for the annulment of the trial court's decision dated January 31, 1994 due to extrinsic fraud.

II

"Whether or not APT is an indispensable party and should have been impleaded in Civil Case No. V-1040.

III

"Whether or not the decision dated January 31, 1994 of the trial court may be enforced against APT despite the fact that APT [was] not a party in Civil Case No. V-1040.

IV

"Whether or not APT was denied due process in the proceeding before the trial court held in Civil Case No. V-1040.

V

"Whether or not private respondents heirs of Sancho Magdato were able to prove their ownership over Lot 898, CAD 311-D, C-1 of the Romblon Cadastre."

In the main, petitioner asks the Court to resolve two issues: (a) whether the RTC Decision should be annulled due to extrinsic fraud, and (b) whether the respondents were able to prove ownership of the parcel of land.

The Court's Ruling

The Petition is not meritorious.