

THIRD DIVISION

[G.R. No. 100789, July 20, 1999]

**AUGUSTO A. CAMARA AND FELICIANA CAMARA, PETITIONERS,
VS. HON. COURT OF APPEALS AND CELINA R. HERNAEZ,
RESPONDENTS.**

D E C I S I O N

PURISIMA, J.:

At bar is a Petition for Review on *Certiorari* under Rule 45 of the Revised Rules of Court seeking a review of the Decision^[1], of the Court of Appeals which affirmed the decision of the Regional Trial Court of Makati City, Branch 58^[2], in Civil Case No. 979, entitled "Augusto Camara and Feliciano Camara vs Celina R. Hernaez", dismissing plaintiffs' complaint for Quieting of Title with Damages.

The pertinent facts of the case are undisputed.

On July 21, 1964, Jose C. Zulueta and his wife, Soledad D. Ramos, executed in favor of the spouses, Feliciano Camara and Augusto Camara, a "Contract to Sell" which was superseded by a "Contract of Absolute Sale" over Lot 1, Pcs. - 3784, GLRC Rec. No. 2029 covered by TCT No. S-25776 (formerly No. T-36047) of the Registry of Deeds of Rizal, now of Makati City.

After the execution of the Deed of Sale, petitioners noticed two separate mortgages annotated on TCT No. S-25776. Inscribed on July 14, 1958, the first mortgage was in favor of China Banking Corporation, while the second mortgage, annotated on November 2, 1959, was in favor of Ramon B. Lacson (**hereinafter referred to as the Lacson mortgage**).

On October 31, 1967, upon knowing the existence of such encumbrances on subject property, petitioners demanded from Jose C. Zulueta the removal from the title of the annotation thereof, by bringing an action for specific performance and damages against Zulueta, docketed as Civil Case No. 58780 before the Regional Trial Court of Manila (**hereinafter referred to as the ACTION FOR SPECIFIC PERFORMANCE**).

During the pendency of Civil Case No. 58780, the loan covered by the first mortgage in favor of China Banking Corporation was settled, thus leaving only the Lacson mortgage.

On November 18, 1963, Ramon B. Lacson executed a Deed of Assignment of his mortgage in favor of the private respondent, Celina R. Hernaez.

On October 31, 1967, a decision for petitioners was rendered in the ACTION FOR SPECIFIC PERFORMANCE, ordering Jose C. Zulueta to cancel or release the said

mortgages, or in the alternative, to return the purchase price of P15,000 and to pay attorney's fees.^[3]

On April 1, 1969, Zulueta executed in favor of private respondent Hernaez a "Supplemental and Amendment to the Mortgage" over his (Zulueta's) other properties, which instrument reproduced, confirmed and supplemented the assigned Lacson mortgage.

On March 14, 1974, private respondent Celina R. Hernaez brought an action for judicial foreclosure of the "Supplemental and Amendment to Contract of Mortgage" against the heirs of Jose C. Zulueta, who died on December 6, 1972, (**hereinafter referred to as ACTION FOR JUDICIAL FORECLOSURE**) docketed as Civil Case No. 19093 before the then Court of First Instance of Pasig.

Meanwhile, petitioners, as the prevailing parties in the action for specific performance, availed of the alternative relief granted them in the action for specific performance, by presenting in the Intestate Estate of Jose C. Zulueta a money claim as creditors. Petitioners decided on such course of action due to the failure of Jose C. Zulueta and later, his heirs, to release the subsisting mortgage on subject property. Thus, they were able to collect the amount of P10,000 as attorney's fees in partial execution.^[4]

On October 25, 1976, a decision in the ACTION FOR JUDICIAL FORECLOSURE was handed down in favor of the herein private respondent, Celina R. Hernaez. The properties involved, including subject Makati lot, were then sold at public auction and the corresponding Certificate of Sale issued on July 21, 1980 to Celina R. Hernaez, who was the highest bidder.

On August 18, 1980, judicial confirmation of the sale was ordered by the former Court of First Instance of Pasig. Thereafter, petitioners presented a "Motion for Clarificatory Order" together with a "Motion for Leave to Intervene" before the same court. Although both motions were denied, the petitioners took no appeal therefrom.^[5]

On September 22, 1982, petitioners instituted a case for quieting of title^[6] against the herein private respondent, Celina R. Hernaez, docketed as Civil Case No. 979 before the Makati Regional Trial Court (**hereinafter referred to as ACTION FOR QUIETING OF TITLE**).

On May 2, 1989, after proper proceedings, the said trial court rendered a decision dismissing the complaint, and disposing as follows:

"WHEREFORE, all the foregoing premises considered, the Court hereby renders judgment against plaintiffs as follows:

1. Plaintiffs' complaint is hereby ordered dismissed for lack of cause of action.
2. The Register of Deeds of Rizal at Makati, Metro Manila, is ordered to cancel at the back of TCT No. S-25776 (formerly No. T-36047) registered in the name of Jose C. Zulueta, married to Soledad R. Zulueta, the 'Notice of Lis Pendens' inscribed on November 5,

1964, and denominated as `ENTRY No. 11906/LP No. 803', and Entry No. 474115/S-25776 Execution, inscribed on September 14, 1981, both for being invalid and unenforceable.

3. To pay P20,000 as attorney's fees, to the defendant.

SO ORDERED."^[7]

An appeal to the Court of Appeals was seasonally interposed but the same was dismissed on April 10, 1991. A subsequent Motion for Reconsideration met the same fate.

Undaunted, petitioners found their way to this court via the present Petition for Review on *Certiorari* under Rule 45 of the Revised Rules of Court, assailing the aforesaid disposition of the Court of Appeals.

The pivotal issue for resolution here is whether or not petitioners' case for quieting of title was properly dismissed on the grounds of (a) lack of cause of action; and (b) *res judicata*.

Petitioners theorize that the decision in the case for quieting of title did not constitute *res judicata* because they were not impleaded in the action for judicial foreclosure brought by Celina R. Hernaez.

The Court of Appeals, however, opined that the principle of *res judicata* was applicable since the validity of the contract of mortgage had been settled in the ACTION FOR JUDICIAL FORECLOSURE brought by Celina R. Hernaez, notwithstanding the fact that the petitioners were not impleaded in the case nor were they able to participate in the proceedings therein.

Res judicata has two concepts. The first is bar by prior judgment under Rule 39, Section 47 (b), and the second is conclusiveness of judgment under Rule 39, Section 47 (c). Both concepts are founded on the principle of estoppel, and are based on the salutary public policy against unnecessary multiplicity of suits. Like the splitting of causes of action, *res judicata* is in pursuance of such policy. Matters settled by a Court's final judgment should not be litigated upon or invoked again. Relitigation of issues already settled merely burdens the Courts and the taxpayers, creates uneasiness and confusion, and wastes valuable time and energy that could be devoted to worthier cases. As the Roman maxim goes, *Non bis in edem*.^[8]

The pertinent provision on *res judicata* is found in Section 47, Rule 39 of the Revised Rules of Court, to wit:

"Section 47 Effect of judgments or final orders. -

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(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the

same title and in the same capacity; and

(c) In any other litigation between the parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto."

To the present case, *Res Judicata in the concept of conclusiveness of judgment* applies. The judgment in the ACTION FOR JUDICIAL FORECLOSURE brought by Celina R. Hernaez is conclusive on petitioners' ACTION FOR QUIETING OF TITLE.

There is "Conclusiveness of judgment", when, between the first case where judgment was rendered and the second case where such judgment is invoked, there is identity of parties, not of causes of action. The judgment is conclusive in the second case, only as to those matters actually and directly controverted and determined, and not as to matters merely involved therein.^[9]

This principle is applicable in the case under consideration as there is identity of parties and subject matter but not of causes of action.

The ACTION FOR JUDICIAL FORECLOSURE is on a cause of action different from that sued upon in the present case of quieting of title. Private respondent Hernaez' cause of action arose from the "Supplemental and Amendment to Contract of Mortgage" inked by her and Jose C. Zulueta over the latter's properties including the subject lot in Makati. Considering that Zulueta defaulted in the payment of the mortgage debt, her recourse to foreclosure was in order.

On the other hand, the present ACTION FOR QUIETING OF TITLE brought by the petitioners is anchored on the old cause of action, arising from the violation by Zulueta of his express warranty that subject lot in Makati was free from any lien or encumbrance, at the time it was sold to petitioners.

As to identity of parties, although the parties involved are not exactly the same, there is substantially an identity of parties, for purposes of *res judicata*. Even if the first action for judicial foreclosure was brought against the heirs of Jose C. Zulueta and the present action is against Celina R. Hernaez, the former and the latter can be considered as substantially the same parties since Hernaez is a successor in interest of the late Jose C. Zulueta.

It bears stressing that Celina R. Hernaez was the highest bidder at the auction sale conducted in connection with the ACTION FOR JUDICIAL FORECLOSURE against the heirs of the late Jose C. Zulueta. She acquired ownership over subject lot in Makati upon the issuance of the order of confirmation of the foreclosure sale which vested title in her, subject only to the condition that it shall not affect the rights of persons holding prior encumbrances on the property.^[10]

In the case under scrutiny, petitioners' ACTION FOR QUIETING OF TITLE was predicated allegedly on a right over subject lot acquired prior to the ACTION FOR JUDICIAL FORECLOSURE. Necessarily, Celina R. Hernaez became a party in the present case, which was instituted on the basis of alleged vested rights prior to her (Hernaez) ownership.