

THIRTEENTH DIVISION

[CA-G.R. CV NO. 100699, March 11, 2015]

SPOUSES DAVID AND TERESITA DORIA, PLAINTIFFS-APPELLANTS, VS. SPOUSES FLORENTINO AND AUREA BADONGEN, DEFENDANTS-APPELLEES.

DECISION

CORALES, J.:

This is an appeal^[1] from the October 22, 2012 Decision^[2] of the Regional Trial Court (RTC), Branch 5, Baguio City in Civil Case No. 6263-R dismissing the complaint^[3] for recovery of sum of money (sum of money case) filed by plaintiffs-appellants Spouses David and Teresita Doria (individually referred by their first name and collectively as Spouses Doria) against defendant-appellee Florentino Badongen (Florentino).

The Antecedents

Florentino was married to defendant-appellee Aurea Badongen (collectively referred as Spouses Badongen). He was an overseas Filipino worker since 1983 until his incarceration in Japan from 1994 to 1998.^[4]

On April 28, 1995, Aurea obtained a P130,000.00-loan from Spouses Doria, secured by a Real Estate Mortgage^[5] (REM) over a parcel of land situated in Baguio City and covered by Tax Declaration No. 0519. Instead of paying the loan when it became due, Aurea executed an Affidavit of Waiver of Rights^[6] (Waiver) and a November 18, 1995 Deed of Absolute Sale^[7] in favor of Spouses Doria in consideration of an additional P450,000.00. Initially, Spouses Badongen's daughter, Ivy, protested the transfer of title in the name of Spouses Doria and persuaded the latter not to give any more money to her mother, but she later on withdrew her complaints before the City Engineer and City Assessor's Office. Spouses Doria pushed through with the purchase submitting to the City Assessor's Office documents such as Aurea's March 26, 1996 Affidavit^[8] declaring that the subject property is paraphernal, a 1996 new tax declaration in Aurea's name, and a Certificate of Non-Delinquency in real property taxes. Thereafter, Spouses Doria, as lessors, and Aurea, as lessee, executed a Contract of Lease^[9] over the premises, effective January 1 to May 31, 1997, because the latter's children continued to reside in the premises. However, Spouses Badongen's children failed to vacate the property despite receipt of the August 4, 1997 notice from Spouses Doria, prompting the latter to file an ejectment case against them before the Municipal Trial Court in Cities (MTCC), Baguio City.^[10]

When Florentino returned to the Philippines in November 1998, he disputed the conveyance of the property to Spouses Doria and claimed that the same is conjugal because it was acquired through his earnings abroad. He insisted that the

disposition made by Aurea without his written consent was void *ab initio*. At that time, Aurea had abandoned the conjugal home and her whereabouts were unknown even to Spouses Doria.^[11]

Attempts to reach an amicable settlement proved futile. On January 4, 1999, Florentino instituted with the RTC an action for annulment of the Waiver and the Deed of Absolute Sale, docketed as Civil Case No. 4247-R (nullity case). On July 2, 2002, the RTC ruled in his favor and nullified the subject instruments. The RTC found that the property involved was conjugal and Spouses Doria were aware of such nature when they bought the property. It further stressed that although Florentino could not participate in the administration of the house and lot, Aurea's authority as sole administrator of the property did not include the disposition without the authority of the court or the written consent of her husband as provided in Article 124 of the Family Code.^[12] On appeal to this Court, docketed as CA-G.R. CV No. 75668, We sustained the RTC's judgment through Our July 9, 2004 Decision^[13] which attained finality on August 9, 2004.^[14]

Feeling aggrieved, Spouses Doria filed the sum of money case on May 4, 2006. They sought to recover from Spouses Badongen the following amounts: the P580,000.00 paid to Aurea for the conveyance of the house and lot, plus legal interest; the expenses paid for the transfer of the property to their names; the real property taxes paid on the same; attorney's fees; litigation expenses; moral and exemplary damages; and costs of suit. They argued that Spouses Badongen are liable to pay the aforesaid amounts as they will be enriching themselves at the expense of Spouses Doria if they gain ownership and possession of the property and still keep and enjoy for themselves the amount paid supposedly for the conveyance of the subject property.^[15]

Aurea could not be served with summons because her whereabouts were still unknown.

Florentino filed his Answer with Affirmative Defenses and Compulsory Counterclaim^[16] arguing that the action was barred by *res judicata* as a result of the final and executory judgment in the nullity case and that Spouses Doria's cause of action should pertain only to Aurea who undeniably received the loan. He denied having participated in the loan or receiving any benefit therefrom either through himself or that which redounded to his family. He further claimed that Aurea had abandoned the family since November 1998 and he had in fact filed a petition for the declaration of her presumptive death.^[17] He added that Spouses Doria were not buyers in good faith and are deemed to have waived the return of the P580,000.00 purchase price, having failed to demand the same as a counterclaim in the nullity case.

The Ruling of the RTC

After the parties' submission of their respective position papers,^[18] the RTC rendered its October 22, 2012 Decision^[19] holding that the issue on whether the loan obtained by Aurea redounded to the benefit of the family and should be reimbursed by the community property had been passed upon in the nullity case where the RTC and this Court held that Aurea had not been attending to the needs

of her children as she was then living with her paramour. In the absence of any evidence to substantiate Spouses Doria's claim that the loan redounded to the benefit of Florentino's family, the RTC ruled that only Aurea may be held liable for the amount sought to be recovered. However, it cannot enforce the said liability against Aurea because jurisdiction over her person was not yet acquired. It disposed the case as follows:

WHEREFORE, the instant case as against Defendant Florentino Badongen is hereby ordered DISMISSED.

SO ORDERED.

Unfazed, Spouses Doria interposed this appeal with the following assignment of errors:^[20]

- A) WITH ALL DUE RESPECT, THE TRIAL COURT ERRED IN RULING THAT THE SPOUSES BADONGEN AND THEIR FAMILY HAS (sic) NOT BEEN UNJUSTLY ENRICHED EVEN IF THE PROPERTY WAS RETURNED TO THE SPOUSES BADONGEN WITHOUT RETURNING THE AMOUNT OF THE PURCHASE PRICE GIVEN BY THE SPOUSES DORIA.
- B) WITH ALL DUE RESPECT, THE TIAL (sic) COURT ERRED WHEN IT RULED THAT THE SPOUSES DORIA ARE NOT ENTITLED TO BE REFUNDED OF WHAT THEY HAVE PAID BASED ON EQUITABLE GROUNDS EVEN IF THE PROPERTY THEY PURCHASED WAS RETURNED TO THE SELLER.
- C) WITH ALL DUE RESPECT, THE TRIAL COURT ERRED IN RULING THAT THE MONEY GIVEN BY THE SPOUSES DORIA TO THE SPOUSES BADONGEN DID NOT REDOUND TO THE BENEFIT OF THEIR FAMILY.
- D) WITH ALL DUE RESPECT, THE TRIAL COURT ERRED IN DISMISSING THE CASE AS THE PLAINTIFFS-APPELLANTS ARE ENTITLED TO DAMAGES BECAUSE OF THE UNLAWFUL ACTS OF THE DEFENDANTS-APPELLEES.

Spouses Doria invoke the principle of unjust enrichment and *solutio indebiti*. They maintain that the sum they extended in Aurea's favor unjustly enriched Spouses Badongen and their family in view of the return of the supposedly purchased property but without reimbursement of the P580,000.00 purchase price and the real estate taxes they have been paying on the property from 1996 to 2004 in the total amount of P22,353.06.^[21] They further insist that at the time of the sale, Florentino was incarcerated in Japan and his family had no source of income except for his remittances, thus, the money paid to Aurea was used by the family and it clearly redounded to their benefit. Lastly, they reiterate their prayer for attorney's fees, litigation expenses, and moral and exemplary damages as a result of Spouses Badongen's alleged refusal in bad faith to honor their obligations.^[22]

Florentino seeks the immediate dismissal of the appeal for lack of a subject index, list of authorities cited, and page references in the appellants' brief of Spouses

Doria. He counters that neither the principle of unjust enrichment nor *solutio indebiti* applies herein because the amount paid to Aurea did not benefit the family considering that at the time she executed the Waiver and Deed of Absolute Sale, she had already abandoned them; thus, she is solely liable for any outstanding obligation to Spouses Doria. Again, he invokes the final and executory decision in the nullity case and argues that it constitutes *res judicata* insofar as it declared Spouses Doria as buyers in bad faith.^[23]

This Court's Ruling

On a preliminary note, We opt to exercise the Court's prerogative to relax procedural rules in the interest of substantial justice and entertain the instant appeal. Despite the absence of a subject index, the appellants' brief of Spouses Doria is still sufficient in form and substance so as to apprise Us of the essential facts and nature of the case as well as the issues necessary for the disposition of this appeal.^[24]

After an assiduous examination of the records, We find the appeal partially meritorious.

No Evidence Showing that Payment of P580,000.00 to Aurea Redounded to the Benefit of the Family; No Unjust Enrichment

It bears stressing that the earlier ruling of this Court as to the nullity of the sale effected by Aurea in favor of Spouses Doria constitutes *res judicata* by conclusiveness of judgment. The doctrine of *res judicata* known as "conclusiveness of judgment" applies where there is identity of parties in the first and second cases, but no identity of causes of action. In such situation, the first judgment is conclusive as to those matters actually and directly controverted and determined therein. Stated differently, any right, fact or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which judgment is rendered on the merits is conclusively settled by the judgment therein and cannot again be litigated between the parties and their privies, whether or not the claim, demand, purpose, or subject matter of the two actions is the same.

^[25] Here, the cause of action in the nullity case is the sale of the conjugal property without Florentino's consent which was ultimately declared void *ab initio*. On the other hand, Spouses Doria's cause of action in the sum of money case is the recovery of the loan contracted by Aurea. Since there is no identity of cause of actions between the nullity case filed by Florentino and the sum of money case instituted by Spouses Doria, only those matters adjudged in the nullity case, *i.e.*, the conjugal nature of the subject property, the nullity of its sale in favor of Spouses Doria, the absence of good faith on the part of Spouses Doria, and the circumstances surrounding the sale, would be conclusive between the parties and should no longer be litigated herein.

Having in mind the foregoing settled facts, We do not find preponderance of evidence to support Spouses Doria's stance that the amount paid to Aurea redounded to the benefit of the family. The burden of proof that a debt was contracted for the benefit of the conjugal partnership of gains lies with the alleged creditor, for he who alleges, not he who denies, must prove.^[26] However, except for Spouses Doria's bare assertions, there is nothing in the records to substantiate their