Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

REY CASTIGADOR CATEDRILLA, Petitioner,	**G.R. No. 179011**
	Present:
- *versus* -	VELASCO, JR., *J.*, *Chairperson*, PERALTA, ABAD, MENDOZA, and LEONEN, *JJ.*
MARIO and MARGIE[1] LAURON, Respondents.	**Promulgated:** APR 15 2013

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D E C I S I O N

PERALTA, *J.*:

Assailed in this petition for review on *certiorari* is the Decision[2] dated February 28, 2007 of the Court of Appeals (*CA*) in CA-G.R. SP No. 00939, as well as its Resolution[3] dated July 11, 2007 which denied petitioner's motion for reconsideration.

On February 12, 2003, petitioner Rey Castigador Catedrilla filed with the Municipal Trial Court (*MTC*) of Lambunao, Iloilo a Complaint[4] for ejectment against the spouses Mario and Margie Lauron alleging as follows: that Lorenza Lizada is the owner of a parcel of land known as Lot 183, located in Mabini Street, Lambunao, Iloilo, which was declared for taxation

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1 Sometimes spelled as Mergie in some pleadings.

2 Penned by Associate Justice Pampio A. Abarintos, with Associate Justices Antonio L. Villamor and Stephen C. Cruz, concurring; *rollo*, pp. 22-32.

3 *Id.* at 21.

4 Docketed as Civil Case No. 516, records, pp. 5-8.

purposes in her name under Tax Declaration No. 0363;[5] that on February 13, 1972, Lorenza died and was succeeded to her properties by her sole heir Jesusa Lizada Losañes, who was married to Hilarion Castigador (*Castigador*); that the spouses Jesusa and Hilarion Castigador had a number of children, which included Lilia Castigador (*Lilia*), who was married to Maximo Catedrilla (*Maximo*); that after the death of the spouses Castigador, their heirs agreed among themselves to subdivide Lot 183 and, pursuant to a consolidation subdivision plan[6] dated January 21, 1984, the parcel of lot denominated as Lot No. 5 therein was to be apportioned to the heirs of Lilia since the latter already died on April 9, 1976; Lilia was succeeded by her heirs, her husband Maximo and their children, one of whom is herein petitioner; that petitioner filed the complaint as a co-owner of Lot No. 5; that sometime in 1980, respondents Mario and Margie Lauron, through the tolerance of the heirs of Lilia, constructed a residential building of strong materials on the northwest portion of Lot No. 5 covering an area of one hundred square meters; that the heirs of Lilia made various demands for respondents to vacate the premises and even exerted earnest efforts to compromise with them but the same was unavailing; and that petitioner reiterated the demand on respondents to vacate the subject lot on January 15, 2003, but respondents continued to unlawfully withhold such possession.

In their Answer,[7] respondents claimed that petitioner had no cause of action against them, since they are not the owners of the residential building standing on petitioner's lot, but Mildred Kascher (*Mildred*), sister of respondent Margie, as shown by the tax declaration in Mildred's name;[8] that in 1992, Mildred had already paid ₱10,000.00 as downpayment for the subject lot to Teresito Castigador;[9] that there were several instances that the heirs of Lilia offered the subject Lot 183 for sale to respondents and Mildred and demanded payment, however, the latter was only interested in asking money without any intention of delivering or registering the subject lot; that in 1998, Maximo, petitioner's father, and respondent Margie entered into an amicable settlement[10] before the *Barangay Lupon* of Poblacion Ilawod, Lambunao, Iloilo wherein Maximo offered the subject lot to the spouses Alfons and Mildred Kascher in the amount of ₱90,000.00 with the agreement that all documents related to the transfer of the subject lot to Maximo and his children be prepared by Maximo, but the latter failed to comply; and that the amicable settlement should have the force and effect of a final judgment of a court, hence, the instant suit is barred by prior judgment. Respondents counterclaimed for damages.

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5 *Rollo*, p. 158.
6 *Id*. at 157.
7 *Id*. at 27-30.
8 *Id*. at 77.
9 *Id*. at 93.
10 *Id.* at 94.

On November 14, 2003, the MTC rendered its Decision,[11] the dispositive portion of which reads:

> WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of the plaintiff ordering the defendants:
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> 1. To vacate the lot in question and restore possession to the plaintiff;
> 2. To pay plaintiff in the reduced amount of TWENTY THOUSAND PESOS (₱20,000.00) as Atty's fees, plus ONE THOUSAND (₱1,000.00) per Court appearance;
> 3. To pay plaintiff reasonable compensation for the use of the lot in question ONE THOUSAND (₱1,000.00) pesos yearly counted from the date of demand;
> 4. To pay the cost of litigation.
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> No award of moral and exemplary damages.
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> Defendants' counterclaim is hereby dismissed for lack of sufficient evidence.[12]

The MTC found that from the allegations and evidence presented, it appeared that petitioner is one of the heirs of Lilia Castigador Catedrilla, the owner of the subject lot and that respondents are occupying the subject lot; that petitioner is a party who may bring the suit in accordance with Article 487[13] of the Civil Code; and as a co-owner, petitioner is allowed to bring this action for ejectment under Section 1, Rule 70[14] of the Rules of Court; that respondents are also the proper party to be sued as they are the occupants of the subject lot which they do not own; and that the MTC assumed that the house standing on the subject lot has been standing thereon even before 1992 and only upon the acquiescence of the petitioner and his predecessor-in-interest.

The MTC found that respondents would like to focus their defense on the ground that Mildred is an indispensable party, because she is the owner of the residential building on the subject lot and that there was already a perfected contract to sell between Mildred and Maximo because of an amicable settlement executed before the *Office of the Punong Barangay*.

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11 Per Judge Augusto L. Nobleza; *rollo*, pp. 137-142.

12 *Id*. at 142. (Citations omitted)

13 Art. 487. Anyone of the co-owners may bring an action in ejectment.

14 Rule 70. *Forcible Entry and Unlawful Detainer*

Section 1. Who may institute proceedings, and when. – Subject to the provisions of the next succeeding section, a person deprived of the possession of any land or building by force, intimidation, threat, strategy, or stealth, or a lessor, vendor, vendee, or other person against whom the possession of any land or building is unlawfully withheld after the expiration or termination of the right to hold possession, by virtue of any contract, express or implied, or the legal representatives or assigns of any such lessor, vendor, vendee, or other person, may, at any time within one (1) year after such unlawful deprivation or withholding of possession, bring an action in the proper Municipal Trial Court against the person or persons unlawfully withholding or depriving of possession, or any person or persons claiming under them, for the restitution of such possession, together with damages and costs.

However, the MTC, without dealing on the validity of the document and its interpretation, ruled that it was clear that respondent Margie was representing her parents, Mr. and Mrs. Bienvenido Loraña, in the dispute presented with the *Punong Barangay*. It also found that even Mildred's letter to petitioner's father Maximo recognized the title of petitioner's father over the subject lot and that it had not been established by respondents if Teresito Castigador, the person who signed the receipt evidencing Mildred's downpayment of ₱10,000.00 for the subject lot, is also one of the heirs of Lilia. The MTC concluded that respondents could not be allowed to deflect the consequences of their continued stay over the property, because it was their very occupation of the property which is the object of petitioner's complaint; that in an action for ejectment, the subject matter is material possession or possession *de facto* over the real property, and the side issue of ownership over the subject lot is tackled here only for the purpose of determining who has the better right of possession which is to prove the nature of possession; that possession of Lot 183 should be relinquished by respondents to petitioner, who is a co-owner, without foreclosing other remedies that may be availed upon by Mildred in the furtherance of her supposed rights.

Respondents filed their appeal with the Regional Trial Court (RTC) of Iloilo City, raffled off to Branch 26. On March 22, 2005, the RTC rendered its Order,[15] the dispositive portion of which reads:

> WHEREFORE, circumstances herein-above considered, the decision of the court dated November 14, 2003 is hereby AFFIRMED, except for the payment of ₱20,000.00 as attorney's fees.
>
> SO ORDERED.[16]

The RTC found that petitioner, being one of the co-owners of the subject lot, is the proper party in interest to prosecute against any intruder thereon. It found that the amicable settlement signed and executed by the representatives of the registered owner of the premises before the *Lupon* is not binding and unenforceable between the parties. It further ruled that even if Mildred has her name in the tax declaration signifying that she is the owner of the house constructed on the subject lot, tax declarations are not evidence of ownership but merely issued to the declarant for purposes of payment of taxes; that she cannot be considered as an indispensable party in a suit for recovery of possession against respondents; that Mildred should have intervened and proved that she is an indispensable party because the records showed that she was not in actual possession of the subject lot. The RTC deleted the attorney's fees, since the MTC decision merely ordered the payment of attorney's fees without any basis.

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15 Per Judge Antonio M. Natino, *rollo*, pp. 65-75.

16 *Id.* at 75.

Respondents' motion for reconsideration was denied in an Order[17] dated June 8, 2005.

Dissatisfied, respondents filed with the CA a petition for review. Petitioner filed his Comment thereto.

On February 28, 2007, the CA issued its assailed decision, the dispositive portion of which reads:

> **IN LIGHT OF ALL THE FOREGOING**, this petition for review is **GRANTED**. The assailed decision of the Regional Trial Court, Br. 26, Iloilo City, dated March 22, 2005, that affirmed the MTC Decision dated November 14, 2003, is **REVERSED** and **SET ASIDE**.
>
> Consequently, the complaint for ejectment of the respondent is DISMISSED.[18]

The CA found that only petitioner filed the case for ejectment against respondents and ruled that the other heirs should have been impleaded as plaintiffs citing Section 1,[19] Rule 7 and Section 7,[20] Rule 3 of the Rules of Court; that the presence of all indispensable parties is a condition *sine qua non* for the exercise of judicial power; that when an indispensable party is not before the court, the action should be dismissed as without the presence of all the other heirs as plaintiffs, the trial court could not validly render judgment and grant relief in favor of the respondents.

The CA also ruled that while petitioner asserted that the proper parties to be sued are the respondents as they are the actual possessors of the subject lot and not Mildred, petitioner still cannot disclaim knowledge that it was to Mildred to whom his co-owners offered the property for sale, thus, he knew all along that the real owner of the house on the subject lot is Mildred and not respondents; that Mildred even paid ₱10,000.00 out of the total consideration for the subject lot and required respondents' relatives to secure the documents that proved their ownership over the subject lot; that Maximo and Mildred had previously settled the matter regarding the sale of the subject lot before the *Barangay* as contained in an amicable settlement

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17 *Id*. at 76.

18 *Id*. at 31.

19 Section 1. *Caption*. – The caption sets forth the name of the court, the title of the action, and the docket number if assigned.

The title of the action indicates the names of the parties. They shall all be named in the original complaint or petition; but in subsequent pleadings, it shall be sufficient if the name of the first party on each side be stated with an appropriate indication when there are other parties.

Their respective participation in the case shall be indicated.

20 Section 7. *Compulsory joinder of indispensable parties*. – Parties in interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

signed by Maximo and respondent Margie. Thus, the question in this case extends to mere possessory rights and non-inclusion of indispensable parties made the complaint fatally defective. From the facts obtaining in this case, ejectment being a summary remedy is not the appropriate action to file against the alleged deforciant of the property.

Hence, this petition for review wherein petitioner raises the following issues:

> I
>
> THE COURT OF APPEALS ERRED AND GRAVELY ABUSED ITS DISCRETION WHEN IT HELD THAT THE DECISION OF THE TRIAL COURT WAS A NULLITY .
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> II
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> THE COURT OF APPEALS ERRED AND GRAVELY ABUSED ITS DISCRETION WHEN IT HELD THAT PETITIONER KNEW ALL ALONG THAT MILDRED KASCHER, AND NOT RESPONDENTS, WERE THE REAL OWNERS OF THE RESIDENTIAL BUILDING.[21]

The CA found that petitioner's co-heirs to the subject lot should have been impleaded as co-plaintiffs in the ejectment case against respondents, since without their presence, the trial court could not validly render judgment and grant relief in favor of petitioner.

We do not concur.

Petitioner can file the action for ejectment without impleading his co-owners. In *Wee v. De Castro*,[22] wherein petitioner therein argued that the respondent cannot maintain an action for ejectment against him, without joining all his co-owners, we ruled in this wise:

> Article 487 of the New Civil Code is explicit on this point:
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> ART. 487. *Any one of the co-owners may bring an action in ejectment.*
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> This article covers all kinds of action for the recovery of possession, *i.e.*, forcible entry and unlawful detainer *(accion interdictal)*, recovery of possession *(accion publiciana)*, and recovery of ownership *(accion de reivindicacion)*. As explained by the renowned civilest, Professor Arturo M. Tolentino:
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> > **A co-owner may bring such an action, without the necessity of joining all the other co-owners as co-plaintiffs, because the suit is deemed to be instituted for**

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21 *Rollo*, p. 10.

22 G.R. No. 176405, August 20, 2008, 562 SCRA 695.

> **the benefit of all**. If the action is for the benefit of the plaintiff alone, such that he claims possession for himself and not for the co-ownership, the action will not prosper.
>
> In the more recent case of *Carandang v. Heirs of De Guzman*, this Court declared that a co-owner is not even a necessary party to an action for ejectment, for complete relief can be afforded even in his absence, thus:
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> > In sum, in suits to recover properties, all co-owners are real parties in interest. However, pursuant to Article 487 of the Civil Code and the relevant jurisprudence, any one of them may bring an action, any kind of action for the recovery of co-owned properties. Therefore, only one of the co-owners, namely the co-owner who filed the suit for the recovery of the co-owned property, is an indispensable party thereto. The other co-owners are not indispensable parties. They are not even necessary parties, for a complete relief can be afforded in the suit even without their participation, since the suit is presumed to have been filed for the benefit of all co-owners.[23]

In this case, although petitioner alone filed the complaint for unlawful detainer, he stated in the complaint that he is one of the heirs of the late Lilia Castigador, his mother, who inherited the subject lot, from her parents. Petitioner did not claim exclusive ownership of the subject lot, but he filed the complaint for the purpose of recovering its possession which would redound to the benefit of the co-owners. Since petitioner recognized the existence of a co-ownership, he, as a co-owner, can bring the action without the necessity of joining all the other co-owners as co-plaintiffs.

Petitioner contends that the CA committed a reversible error in finding that Mildred Kascher is an indispensable party and that her non-inclusion as a party defendant in the ejectment case made the complaint fatally defective, thus, must be dismissed.

We agree with petitioner.

The CA based its findings that Mildred is an indispensable party because it found that petitioner knew all along that Mildred is the owner of the house constructed on the subject lot as shown in the affidavits[24] of Maximo and petitioner stating that petitioner's co-owners had offered for sale the subject lot to Mildred, and that Maximo, petitioner's father, and

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[23] *Id*. at 710-711.

[24] *Roll*o, pp. 160-161; 168-169, respectively.

8. My family offered the lot being occupied now by the Laurons for sale to them and more particularly to her sister, Mildred Kascher, however, negotiations for the sale failed. (*Rollo*, p. 161)

Mildred had previously settled before the *Barangay* the matter regarding the sale of the subject lot to the latter as contained in the amicable settlement.

We find that the affidavits of Maximo and petitioner merely stated that the lot was offered for sale to Mildred, but nowhere did it admit that Mildred is the owner of the house constructed on the subject lot.

Also, it appears that the amicable settlement[25] before the *Barangay* wherein it was stated that Maximo will sell the subject lot to the spouses Alfons and Mildred Kascher was signed by Maximo on behalf of his children and respondent Margie on behalf of Mr. and Mrs. Bienvenido Loraña. Thus, there is no basis for the CA's conclusion that it was Mildred and Maximo who had previously settled the sale of the subject lot.

Moreover, it appears however, that while there was a settlement, Liah C. Catedrilla, one of petitioner's co-heirs, wrote a letter[26] dated October 30, 2002, to the Spouses Loraña and respondent Margie stating that the latter had made a change on the purchase price for the subject lot which was different from that agreed upon in the amicable settlement. Records neither show that respondent Margie had taken steps to meet with Liah or any of her co-heirs to settle the matter of the purchase price nor rebut such allegation in the letter if it was not true. The letter[27] dated July 5, 2003 of respondent Margie's counsel addressed to petitioner's counsel, stating that his client is amenable in the amount as proposed in the amicable settlement, would not alter the fact of respondents' non-compliance with the settlement since the letter was sent after the ejectment case had already been filed by petitioner.

In *Chavez v. Court of Appeals*,[28] we explained the nature of the amicable settlement reached after a *barangay* conciliation, thus:

> Indeed, the *Revised Katarungang Pambarangay Law* provides that an amicable settlement reached after *barangay* conciliation proceedings

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25 *Id.* at 94.

We, complainants and respondents in the above-captioned case, do hereby agree to settle our dispute as follows:

1. The complainant/owner, Mr. Maximo Catedrilla, in behalf of his children agree to sell Lot. No. 54 to spouses Alfons and Mildred Kascher in the amount of ₱90,000.00.
2. The buyer agrees to buy at the price stated, payment will be made at the time the documents showing his ownership and the Deed of Sale shall have been finished.
3. In case the owner fails to gather the necessary documents pertaining to his ownership on time, he has the option to extend the time of execution of the Deed of Sale until such time that the documents have been completed.
4. In case the buyer fails to pay the amount at the time that the Deed of Sale is ready for execution they will lose their right to purchase and the owner shall give a warning to remove all the improvements they have made on the said lot.
5. Date of execution of the Deed of Sale shall be on September 30, 1998.

26 *Rollo*, p. 97.

27 *Id.* at 96.

28 G.R. No. 159411, March 18, 2005, 453 SCRA 843.

has the force and effect of a final judgment of a court if not repudiated or a petition to nullify the same is filed before the proper city or municipal court within ten (10) days from its date. It further provides that the settlement may be enforced by execution by *the lupong tagapamayapa* within six (6) months from its date, or by action in the appropriate city or municipal court, if beyond the six-month period. This special provision follows the general precept enunciated in Article 2037 of the Civil Code, *viz*.:

A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.

Thus, we have held that a compromise agreement which is not contrary to law, public order, public policy, morals or good customs is a valid contract which is the law between the parties themselves. It has upon them the effect and authority of *res judicata* even if not judicially approved, and cannot be lightly set aside or disturbed except for vices of consent and forgery.

However, in *Heirs of Zari, et al. v. Santos*, we clarified that the broad precept enunciated in Art. 2037 is qualified by Art. 2041 of the same Code, which provides:

> If one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand.

We explained, *viz.*:

> [B]efore the onset of the new Civil Code, there was no right to rescind compromise agreements. Where a party violated the terms of a compromise agreement, the only recourse open to the other party was to enforce the terms thereof.
>
> When the new Civil Code came into being, its Article 2041 x x x created *for the first time* the right of rescission. That provision gives to the aggrieved party the right to "either enforce the compromise or regard it as rescinded and insist upon his original demand." *Article 2041 should obviously be deemed to qualify the broad precept enunciated in Article 2037 that "[a] compromise has upon the parties the effect and authority of res judicata.*

In exercising the second option under Art. 2041, the aggrieved party may, if he chooses, bring the suit contemplated or involved in his original demand, as if there had never been any compromise agreement, without bringing an action for rescission. This is because he may regard the compromise as already rescinded by the breach thereof of the other party.[29]

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[29] *Id*. at 849-851.

While the amicable settlement executed between Maximo and respondent Margie before the *Barangay* had the force and effect of a final judgment of a court, it appears that there was non-compliance thereto by respondent Margie on behalf of her parents which may be construed as repudiation. The settlement is considered rescinded in accordance with the provision of Article 2041 of the Civil Code. Since the settlement was rescinded, petitioner, as a co-owner, properly instituted the action for ejectment to recover possession of the subject lot against respondents who are in possession of the same.

Even the receipt[30] signed by a certain Teresito Castigador, acknowledging having received from Mildred the amount of ₱10,000.00 as downpayment for the purchase of the subject lot, would not also prove respondents' allegation that there was already a perfected contract to sell the subject lot to Mildred, since the authority of Teresito to sell on behalf of the heirs of Lilia Castigador was not established.

In ejectment cases, the only issue to be resolved is who is entitled to the physical or material possession of the property involved, independent of any claim of ownership set forth by any of the party-litigants.[31] In an action for unlawful detainer, the real party-in-interest as party-defendant is the person who is in possession of the property without the benefit of any contract of lease and only upon the tolerance and generosity of its owner.[32] Well settled is the rule that a person who occupies the land of another at the latter's tolerance or permission, without any contract between them, is bound by an implied promise that he will vacate the same upon demand, failing which a summary action for ejectment is the proper remedy against him.[33] His status is analogous to that of a lessee or tenant whose term of lease has expired but whose occupancy continued by tolerance of the owner.[34]

Here, records show that the subject lot is owned by petitioner's mother, and petitioner, being an heir and a co-owner, is entitled to the possession of the subject lot. On the other hand, respondent spouses are the occupants of the subject lot which they do not own. Respondents' possession of the subject lot was without any contract of lease as they failed to present any, thus lending credence to petitioner's claim that their stay in the subject lot is by mere tolerance of petitioner and his predecessors. It is indeed respondents spouses who are the real parties-in-interest who were correctly impleaded as defendants in the unlawful detainer case filed by petitioner.

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30 *Rollo*, p. 93.

31 *Lao v. Lao*, G.R. No. 149599, May 16, 2005, 458 SCRA 539, 546.

32 *Id.* at 547.

33 *Arambulo v. Gungab*, 508 Phil. 612, 621-622 (2005), citing *Boy v. Court of Appeals*, 471 Phil. 102, 114 (2004).

34 *Lao v. Lao*, *supra* note 31, at 547.

WHEREFORE, premises considered, the petition is hereby **GRANTED**. The Decision dated February 28, 2007 and the Resolution dated July 11, 2007 of the Court of Appeals are hereby **REVERSED** and **SET ASIDE.** The Order dated March 22, 2005 of the Regional Trial Court, Branch 26, Iloilo City, in Civil Case No. 04-27978, is hereby **REINSTATED**.

SO ORDERED.

DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

ROBERTO A. ABAD
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

MARVIC MARIO VICTOR F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice