Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

DAVID M. DAVID, Petitioner,	**G.R. No. 176973**
	Present:
- versus -	CARPIO, *J.*, *Chairperson*, VELASCO, JR.,* DEL CASTILLO, MENDOZA, and LEONEN, *JJ.*
FEDERICO M. PARAGAS, JR., Respondent.	Promulgated: 25 FEB 2015

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DECISION

MENDOZA, J.:

This is a petition for review on *certiorari* under Rule 45 seeking to annul and set aside the July 31, 2006 Decision[1] and the February 23, 2007 Resolution[2] of the Court of Appeals *(CA)* in CA-G.R. SP No. 80942. The said issuances modified the July 21, 2003 Order[3] of the Regional Trial Court, Branch 200, Las Piñas City *(RTC)* in Civil Case No. LP-02-0165, a case for Declaratory Relief and Sum of Money with Damages filed by petitioner David M. David *(David)* against Philam Plans Inc. *(PPI)*, Severo Henry G. Lobrin *(Lobrin)*, respondent Federico M. Paragas, Jr. *(Paragas)*, Rodelio S. Datoy *(Datoy)*, Rizal Commercial Banking Corporation, Paranaque Branch *(RCBC),* and Gerald P.S. Agarra *(Agarra)*.

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* Designated Acting member in lieu of Associate Justice Arturo D. Brion, per Special Order No. 1910, dated January 12, 2015.

[1] *Rollo,* pp. 40-55. Penned by Justice Eliezer R. De los Santos with Justices Fernanda Lampas Peralta and Myrna Dimaranan Vidal, concurring.

[2] Id. at 38. Penned by Justice Fernanda Lampas Peralta with Justices Aurora Santiago Lagman and Myrna Dimaranan Vidal, concurring.

[3] Id. at 127-130. Penned by Judge Leopoldo E. Baraquia.

The RTC Order resolved the Motion to Admit Supplemental Complaint filed by David and the Joint Omnibus Motion[4] filed by David, Lobrin and Datoy. In the said Order, the RTC admitted the attached supplemental complaint and approved the compromise agreement.[5] The questioned CA decision nullified the approval by the RTC of the compromise agreement.

The Antecedents

Sometime in 1995, David, Paragas and Lobrin agreed to venture into a business in Hong Kong *(HK)*. They created Olympia International, Ltd. *(Olympia)* under HK laws. Olympia had offices in HK and the Philippines. David handled the marketing aspect of the business while Lobrin and Datoy were in charge of operations. In late 1995, Olympia started with "selling, through catalogs, consumer products such as appliances, furniture and electronic equipment to the OFWs in Hong Kong, to be delivered to their addresses in the Philippines. They coined the name *Kayang-Kaya* for the venture."[6]

In early 1998, Olympia became the exclusive general agent in HK of PPI's pre-need plans through the General Agency Agreement. In late 2001, Olympia launched the *Pares-Pares* program by which planholders would earn points with cash equivalents for successfully enlisting new subscribers. The cash equivalents, in turn, would be used for the payment of monthly premiums of the planholders. PPI authorized Olympia to accept the premium payments, including the cash equivalent of the bonus points, and to remit the same, net of commissions, to PPI in the Philippines. The money from HK was to be remitted through Olympia's account in RCBC. In turn, Olympia was to pay the planholders' bonuses as well as the share of profits for the directors.[7] David was tasked to personally remit said amounts to PPI as he was the only signatory authorized to transact on behalf of Olympia regarding the RCBC accounts.

As Paragas alleged, the amount remitted by Olympia to RCBC from September 2001 to May 25, 2002 reached ₱82,978,543.00, representing the total net earnings from the pre-need plans, 30% of which comprised the bonus points earned by the subscribers under the *Pares-Pares* program. The rest was to be distributed among the four partners.

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[4] Id. at 109-111.
[5] Id. at 112-115.
[6] Id. at 41.
[7] Id. at 42-43.

In 2002, the state of affairs among the partners went sour upon Lobrin's discovery that David failed to remit to PPI the 30% cash equivalent of the bonus points.

In a meeting held on June 1, 2002 in HK, David tried to explain his side, but no settlement was reached.

Later, Lobrin discovered that only ₱19,302,902.13 remained of the ₱82,978,543.00 remitted from HK to the RCBC account. As the Chairperson of Olympia's Board of Directors *(BOD)*, he demanded the return of the entire ₱82,978,543.00.

On June 17, 2002, the BOD stripped David of his position as a director. It then informed RCBC of his removal. In another letter, it also instructed RCBC to prohibit any transaction regarding the funds or their withdrawal therefrom pending the determination of their rightful owner/s.

Meanwhile, a Watch-List Order was issued against David pursuant to the letter sent by Paragas' counsel to the Bureau of Immigration. As a result, he was prevented from boarding a flight to Singapore on June 29, 2002.

Constrained by these circumstances, David filed a complaint for Declaratory Relief, Sum of Money and Damages before the RTC. He insisted on his entitlement to the commissions due under the regular and *Pares-Pares* programs in his capacity as Principal Agent under the General Agency Agreement with PPI; that he be allowed to hold the cash deposits of ₱19,302,902.00 to the extent of ₱18,631,900.00 as a trust fund for the benefit of the subscribers of the *Pares-Pares* program; that RCBC be ordered to recognize no other signatory relative to the said deposits except him; and that Paragas, Lobrin and Datoy be held liable in an amount not less than ₱20,000,000.00, representing the missing amount and/or unauthorized disbursements from the funds of Olympia, plus the payment of moral damages, exemplary damages and attorney's fees.

Paragas and Lobrin filed their answers with compulsory counterclaims[8] against David, to wit:

[8] Id. at 73-108.

First Counterclaim - to mandate David to render an accounting of the amounts mentioned;

Second Counterclaim - to require David to turn over such books of accounts and other documents owned by Olympia as well as all records pertaining to Olympia's business transactions in the Philippines;

Third Counterclaim - to make David pay the amount of ₱24,893,562.90 to Philam as cash bonuses of the respective original subscribers;

Fourth Counterclaim - to make David pay Lobrin and Paragas the amount of ₱24,521,245.00 each, as and by way of actual damages, representing (1) Lobrin and Paragas' respective shares as co-owners in the net profit of Olympia from the sale of the Pre-need plan under the *pares-pares* program in the amount of ₱14,521,245.00 and the amount of ₱10,000,000.00 representing the cost of plane fares, living allowances and unrealized profit;

Fifth Counterclaim - to hold David liable to pay Lobrin and Paragas the amount of ₱20,000,000.00 each, as and by way of moral damages;

Sixth Counterclaim - to make David pay the amount of ₱10,000,000.00 as and by way of exemplary damages; and

Seventh Counterclaim - to hold David personally liable to pay Lobrin and Paragas the amount of P1,000,000.00 as attorney's fees, plus such amount as may be proved during the trial as litigation expenses and cost of suit.[9]

On March 5, 2003, David filed the supplemental complaint, with a manifestation that an amicable settlement was struck with Lobrin and Datoy whereby they agreed to withdraw the complaint and counterclaims against each other. On May 6, 2003, Lobrin and Olympia through their counsel, confirmed that on March 26, 2003, they had arrived at a compromise.[10] The agreement clearly stated that Lobrin was acting on Olympia's behalf, on the basis of a resolution passed during the board meeting held on March 21, 2003. The settlement reads:

COMPROMISE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Agreement, entered into by and between:

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[9] Id. at 27-28.
[10] Id. at 44-45.

DAVID M. DAVID, of legal age, married, Filipino and with address at 23 Pablo Roman Street, BF Homes, Paranaque, hereinafter referred to as DMD;

-and-

OLYMPIA INTERNATIONAL LIMITED, a corporation organized and existing under the laws of Hong Kong, with principal office at 13/F Li Dong Building, 7-11 Li Yuen Street East, Central, Hong Kong, and herein represented by its **Attorney-in-Fact, Henry G. Lobrin**, and herein after referred to as Olympia;

WITNESSETH: That –

WHEREAS, Olympia has passed a board resolution during the meeting of its Board of Directors held in Hong Kong on 21 March 2003 constituting and appointing as such its herein Attorney-in-Fact for the purposes stated in said resolution, a copy of which is hereto attached as Annex "A";

WHEREAS, there is a pending case before Branch 200 of the Regional Trial Court of Las Pi[ñ]as City docketed as Civil Case No. LP-02-0165 ("the Case") and among the defendants in said Case are Henry G. Lobrin, Federico M. Paragas, Jr. and Roberto S. Datoy who are presently directors of Olympia;

WHEREAS, the causes of action in the complaint in said Case against aforesaid Lobrin, Paragas, Jr. and Datoy are in their capacity as shareholders/directors of Olympia, and likewise concern the relationship and rights between DMD and Olympia International Ltd., including the status of the latter's operations and financial position;

WHEREAS, another issue in said case is the respective rights of herein parties DMD and Olympia under and pursuant to the General Agency Agreement (GAA) with Philam Plans Inc., ("PPI") dated 10 February 1998;

WHEREAS, corollary to the issue of the GAA is the respective obligation of DMD and Olympia to the planholders of PPI under the regular and *pares pares* program, specifically the *binhing yaman* and *pamilyaman* benefits due to approximately 12,000 planholders of Philam Plans Inc. ("PPI") as per the list attached to the complaint in said Case;

WHEREAS, both DMD and Olympia are desirous of settling the Case amicably under mutually acceptable terms and conditions:

NOW, THEREFORE, parties hereby agree as follows:

1. Olympia hereby waives its rights and interests to the trust fund presently in Account Nos. 1-214-25224-0, 07214108903-003 and 0000005292 with the Rizal Commercial Banking Corporation ("RCBC") and Account No. 0301-01334-5 with the Equitable PCI Bank pertaining to the cash benefits of the approximately 12,000 planholders of Philam Plans, Inc., per the list attached to the complaint in the Case;

2. Olympia further agrees that the same shall be settled exclusively by DMD, subject to the requirement that it shall be furnished a copy of the Statement of Benefits pertaining to each planholder;

3. Olympia likewise no longer interposes any objection/opposition to the payment of the cash benefits to the planholders from said trust funds, and shall make of record in the Case the withdrawal of its opposition;

4. DMD shall drop as party Defendants from the Case Severo Henry G. Lobrin, Federico M. Paragas, Jr. and Rodelio S. Datoy;

5. Olympia shall withdraw its First Compulsory Counterclaim, Second Compulsory Counterclaim and Third Compulsory Counterclaim as stated in the "Answer with Compulsory Counterclaims" dated 3 October 2002 filed in said Case, because the subject matters of said compulsory counterclaims are exclusively the concern of Olympia as a corporation and are now the subject of this Compromise Agreement;

6. Olympia shall likewise withdraw the Fourth Compulsory Counterclaim, Fifth Compulsory Counterclaim, Sixth Compulsory Counterclaim and Seventh Compulsory Counterclaim in so far as they refer to claims to which the claimants will be entitled in their capacity as shareholder and/or director of Olympia;

7. The Fourth Compulsory Counterclaim, Fifth Compulsory Counterclaim, Sixth Compulsory Counterclaim and Compulsory Counterclaim (sic) will also be withdrawn by Henry G. Lobrin in his personal capacity;

8. For this purpose, the following motions shall be filed pursuant to this Agreement;

    a. A Joint Motion shall be filed in the case for the dismissal of the complaint and compulsory counterclaims as above stated;

    b. A Motion to Withdraw Opposition to the Motion to Release Benefits and Supplemental Motion (to Release Benefits) be filed by Olympia through its Attorney-in-Fact.

IN WITNESS WHEREOF, parties hereto set their hands this ____ day of _____ in _____.

DAVID M. DAVID

OLYMPIA INTERNATIONAL Ltd.

By:

HENRY G. LOBRIN
Attorney-in Fact

HENRY G. LOBRIN
In his personal capacity

[Emphases supplied][11]

On May 15, 2003, David and Lobrin filed the Joint Omnibus Motion to formally inform the RTC of the compromise agreement. They asserted the following:

> 2. Said agreement was executed between Plaintiff and Olympia, the latter being represented by Defendant Lobrin as Olympia's Attorney-in-Fact, pursuant to a resolution passed by a majority vote during the board meeting held in Hong [Kong] on 21 March 2003 wherein Defendants Lobrin, Paragas, Jr. and Datoy were all present, authorizing said Attorney-in-Fact to negotiate a compromise settlement regarding instant case, the payment of the accrued benefits due the planholders of Philam Plan, Inc. under the regular and Pares-Pares program as well as the disposition of the cash and other deposits with Rizal Commercial Banking Corporation (RCBC) and other accounts in other banks. Said resolution is appended to the Agreement as its Annex "A";
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> 3. By virtue of said Agreement, Olympia no longer questions and hereby waives whatever rights and interest it may have to the deposits constituting the trust fund pertaining to the cash benefits of the approximately 12,000 planholders of Philam Plans Inc., per the list attached to the complaint in instant case in Account Nos. 1-214-25224-0, 07214108903-003 and 0000005292 with RCBC and Account No. 0301-01334-5 with the Equitable-PCI Bank;
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> 4. Olympia further withdraws its objection/opposition to the payment of the cash benefits to the planholders from said trust funds which shall remain to be the sole responsibility/accountability of Plaintiff, subject to the

[11] Id. at 112-114.

requirement that Olympia through its authorized Attorney-in-Fact shall be furnished a copy of the Statement of Benefits pertaining to each planholder;

5. As a consequence of the above, Defendants Severo Henry G. Lobrin, Federico M. Paragas, Jr. and Rodelio S. Datoy shall be dropped as party defendants in instant case, to which no objection will be interposed by Plaintiff, and the motion to declare Defendant Datoy in default for failure to file his Answer is similarly withdrawn for having been rendered moot and academic by the Agreement;

6. Olympia hereby withdraw[s] its First, Second and Third Compulsory Counterclaims against herein Plaintiff considering that the legal and factual bases thereof are matters which are exclusively the concern of Olympia as a corporation and have been the subject of the Agreement;

7. Olympia likewise withdraws the Fourth, Fifth, Sixth and Seventh Compulsory Counterclaim in so far as they refer to the claims pertaining to Defendants Paragas, Lobrin and Datoy in their capacity as shareholders and/or directors of Olympia;

8. Defendant Lobrin likewise withdraws the Fourth, Fifth, Sixth and Seventh Compulsory Counterclaim in so far as they refer to claims pertaining to him in his personal capacity;

9. Plaintiff likewise withdraws his complaint against Defendant Gera[l]d P.S. Algarra based on the statements contained in the latter's Answer, and said Defendant likewise withdraws his Counterclaims against plaintiff, however, Plaintiff reserves his right to implead the proper party Defendant; and

10. This motion is without prejudice to the right of Defendant Paragas to join and/or avail of the benefits of the Agreement and instant Motion hereinafter. [12]

On May 8, 2003, Paragas questioned the existence of the cited BOD resolution granting Lobrin the authority to settle the case, as well as the validity of the agreement through an affidavit duly authenticated by the Philippine Consul, Domingo Lucinario, Jr. He pointed to the fact that Olympia, as an entity, was never a party in the controversy.

On July 21, 2003, the RTC granted David's Motion to Admit the Supplemental Complaint and approved the compromise agreement, to wit:

[12] Id. at 109-111.

> Further, finding the agreement in the JOINT OMNIBUS MOTION to be well-taken, not contrary to law, public policy and morals, the same is hereby APPROVED and the motion GRANTED. The resolution is hereby rendered based thereon, thus, the parties concerned are enjoined to faithfully comply with all the terms and conditions stated therein. As prayed for by the parties concerned in the JOINT OMNIBUS MOTION, let Henry G. Lobrin, Rodelio S. Datoy and Gera[l]d PS Algarra BE DROPPED as party defendants except defendant Federico Paragas, Jr. who filed an Opposition thereto, and the compulsory counterclaims between defendants Lobrin, Datoy and Algarra and plaintiff David against each other DISMISSED. The withdrawal of the motion to declare defendant Datoy is hereby noted.[13]

On August 15, 2003, Paragas moved for reconsideration,[14] claiming that although the parties had the prerogative to settle their differences amicably, the intrinsic and extrinsic validity of the compromise agreement, as well as its basis, may be questioned if illicit and unlawful.

In its September 30, 2003 Order,[15] the RTC denied the motion of Paragas.

Unperturbed, Paragas elevated the issue to the CA *via* a petition for *certiorari* under Rule 65 of the Rules of Court.

In its July 31, 2006 Decision, the CA *reversed* the RTC's approval of the compromise agreement. It explained that the agreement entered into by David, Lobrin and Datoy was invalid for two reasons: *First*, the agreement was between David and Olympia, which was not a party in the case; and *second*, assuming that Olympia could be considered a party, there was no showing that the signatory had the authority from Olympia or from the other parties being sued to enter into a compromise.

David moved for reconsideration. In its February 23, 2007 Resolution, the CA denied his motion.

Hence, this petition.

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[13] Id. at 130.
[14] Id. at 131-137.
[15] Id. at 138.

GROUNDS OF THE PETITION

I. RESPONDENT COURT LACKED AND/OR EXCEEDED ITS JURISDICTION WHEN IT MODIFIED THE ORDER OF THE TRIAL COURT DATED JULY 21, 2003, DESPITE THE ASSIGNMENT OF ERROR BEING SPECIFICALLY LIMITED TO THE ORDER OF THE TRIAL COURT DATED SEPTEMBER 30, 2003 WHICH DENIED THE MOTION FOR RECONSIDERATION FILED BY HEREIN PRIVATE RESPONDENT

II. OLYMPIA IS NOT A PARTY TO THE CASE BELOW, HENCE, THE DISMISSAL OF THE COMPLAINT AND COMPULSORY COUNTERCLAIMS ARE PERSONAL IN NATURE TO THE PARTIES AND IS WITHIN THE PURVIEW OF SECTION 2 OF RULE 17

III. THERE IS DENIAL OF DUE PROCESS OF LAW WHEN RESPONDENT COURT ANNULLED THE COMPROMISE AGREEMENT BASED ON UNSUBSTANTIATED ALLEGATIONS OF FACT CONTAINED IN THE PETITION.[16]

In his reply,[17] David limited his "discussion to the issue that still has a practical bearing on the case below,"[18] that is, whether or not the nullification of the Compromise Agreement similarly nullified the dismissal of both the complaint as against the defendants xxx.[19]

In the Resolution, dated February 16, 2011, the Court gave due course to the petition and directed the parties to file their respective memoranda.[20] While Paragas was able to file his memorandum on May 16, 2011, David's memorandum was dispensed with in a resolution, dated June 19, 2013, for his failure to file one within the extended period granted by the Court.[21]

Position of David

David charges the CA with grave abuse of discretion in dispensing a relief more than what Paragas prayed for. According to David, the CA exceeded its jurisdiction when it annulled the compromise agreement despite the fact that the assignment of error in the petition of Paragas before the CA was limited only to the review of the correctness of the RTC's September 30, 2003 Order denying the motion for reconsideration and not

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[16] Id. at 24.
[17] Id. at 227-232.
[18] Id. at 228.
[19] Id.
[20] Id. at 239.
[21] Id. at (299).

the July 21, 2003 Order approving the compromise agreement. In other words, David is of the view that because Paragas did not assail the July 21, 2003 Order, the same should not have been modified by the CA.

He further insists that the CA should not have annulled the compromise agreement because the July 21, 2003 RTC Order did not refer to the approval of the compromise agreement, but to the agreement of the parties to dismiss the claims and counterclaims against each other. In support of this position, David takes refuge in the RTC statement that the parties had the right to "amicably settle their issues even if subject compromise agreement had not been entered into." To him, it was not the "Compromise Agreement" that was approved, but the "underlying agreement between the parties to withdraw their claims against each other which are personal to them in nature."

Lastly, David submits that he was denied due process of law when the CA annulled the compromise agreement based on unsubstantiated allegations of fact, that is, the allegation that the board meeting granting Lobrin the authority to enter into compromise with him on behalf of Olympia and on behalf of the other parties did not take place. He believes that Paragas failed to prove his allegations and, therefore, the meeting, as supported by the minutes signed by one Flordeliza Sacapano, must be respected as a matter of fact.

The Court's Ruling

The Court denies the petition.

The CA did not exceed its jurisdiction in modifying the July 21, 2003 RTC Order

In his petition, David claims that the CA exceeded its jurisdiction when it modified the July 21, 2003 Order of the RTC by admitting David's supplemental complaint and approving the earlier mentioned compromise agreement even though Paragas' petition for *certiorari* before the CA only questioned the September 30, 2003 Order of the RTC denying his motion for reconsideration.[22]

[22] Id. at 25-26.

This Court is unmoved by this position advocated by David.

In countless cases, the Court has allowed the consideration of other grounds or matters not raised or assigned as errors. In the case of *Cordero vs. F.S. Management & Development Corporation*,[23] the Court wrote:

> While a party is required to indicate in his brief an assignment of errors and only those assigned shall be considered by the appellate court in deciding the case, appellate courts have ample authority to rule on matters not assigned as errors in an appeal if these are indispensable or necessary to the just resolution of the pleaded issues. Thus this **Court has allowed the consideration** of other grounds or matters **not raised or assigned as errors,** to wit: 1) grounds affecting jurisdiction over the subject matter; 2) matters which are evidently plain or clerical errors within the contemplation of the law; 3) **matters the consideration of which is necessary in arriving at a just decision and complete resolution of the case or to serve the interest of justice or to avoid dispensing piecemeal justice; 4) matters of record which were raised in the trial court and which have some bearing on the issue submitted which the parties failed to raise or which the lower court ignored**; 5) matters closely related to an error assigned; and 6) **matters upon which the determination of a question properly assigned is dependent.** [Emphases supplied][24]

In this case, while it is true that Paragas' petition for *certiorari* before the CA only assailed the subsequent order of the RTC denying his August 15, 2003 Motion for Reconsideration, he did pray in the said motion for reconsideration that it set aside and reverse its approval of the Joint Omnibus Motion. The prayer reads:

> WHEREFORE, it is respectfully prayed of this Honorable Court that the Order dated 21 July 2003 be MODIFIED to SET ASIDE and REVERSE the approval of the Joint Omnibus Motion dated 15 May 2003 and a new one be issued DENYING said motion.[25]

Obviously, the resolution of his motion for reconsideration necessarily involved the July 21, 2003 Order of the RTC as it was indispensable and inextricably linked with the September 30, 2003 Order being assailed.

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[23] 536 Phil. 1151, 1159 (2006).
[24] Id.
[25] *Rollo*, p. 135.

The CA did not err in annulling the compromise agreement.

At the outset, David asserts that the CA based the annulment of the compromise agreement exclusively on the unsubstantiated allegations of Paragas.

The Court disagrees. A careful reading of the assailed CA decision reveals that it did not merely rely on the claims of Paragas. What the CA did was to analyze and appreciate the circumstances behind the compromise agreement. In revisiting and delving deep into the records, the Court indeed agrees with the CA that the RTC gravely abused its discretion in approving the agreement for the following reasons:

> *First*, the subject compromise agreement could not be the basis of the withdrawal of the respective complaint and counterclaims of the parties for it was entered into by David with a non-party in the proceedings. Even if the Court interprets that the RTC approved the underlying agreement to withdraw the claims and counterclaims between the parties, the terms and conditions of the subject compromise agreement cannot cover the interests of Olympia, being a non-party to the suit.
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> *Second*, the RTC had no authority to approve the said compromise agreement because Olympia was not impleaded as a party, although its participation was indispensable to the resolution of the entire controversy.

A compromise agreement could not be the basis of dismissal/withdrawal of a complaint and counterclaims if it was entered into with a non-party to the suit.

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and, thus, avoid or put an end to a lawsuit. They adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing. It must not be contrary to law, morals, good customs and public policy, and must have

been freely and intelligently executed by and between the parties.[26] A compromise agreement may be executed in and out of court. Once a compromise agreement is given judicial approval, however, it becomes more than a contract binding upon the parties. Having been sanctioned by the court, it is entered as a determination of a controversy and has the force and effect of a judgment.[27]

Verily, a judicially approved compromise agreement, in order to be binding upon the litigants with the force and effect of a judgment, must have been executed by them. In this case, the compromise agreement was signed by David in his capacity as the complainant in the civil case, and Olympia, through Lobrin as its agent. The agreement made plain that the terms and conditions the "parties" were to follow were agreed upon by David and Olympia. Datoy and Paragas never appeared to have agreed to such terms for it was Olympia, despite not being a party to the civil case, which was a party to the agreement. Despite this, David claims that the concessions were made by Olympia on behalf of the non-signatory parties and such should be binding on them.

David must note that Olympia is a separate being, or at least should be treated as one distinct from the personalities of its owners, partners or even directors. Under the doctrine of processual presumption, this Court has to presume that Hong Kong laws is the same as that of the Philippines particularly with respect to the legal characterization of Olympia's legal status as an artificial person. Elementary is the rule that under Philippine corporate and partnership laws, a corporation or a partnership possesses a personality separate from that of its incorporators or partners. Olympia should, thus, be accorded the status of an artificial being at least for the purpose of this controversy.

On that basis, Olympia's interest should be detached from those of directors Paragas, Lobrin, Datoy, and even David. Their (individual directors) interest are merely indirect, contingent and inchoate. Because Olympia's involvement in the compromise was not the same as that of the other parties who were, in the first place, never part of it, the compromise agreement could not have the force and effect of a judgment binding upon the litigants, specifically Datoy and Paragas. Conversely, the judicially approved withdrawal of the claims on the basis of that compromise could not be given effect for such agreement did not concern the parties in the civil case.

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[26] *Magbanua, v. Uy*, 497 Phil. 511, 518 (2005).
[27] *Armed Forces of the Philippines Benefit Association, Inc. v. CA*, 370 Phil. 150, 163 (1999).

David, nevertheless, points out that the validity of the dismissal of the claims and counterclaims must remain on the argument that the compromise agreement was made in their personal capacities inasmuch as he filed the complaint against Paragas, Lobrin and Datoy also in their personal capacities. He draws support from the Answer with Compulsory Counterclaims[28] filed by Paragas and Lobrin. The counterclaims against him did not involve Olympia, save for the demand to render an accounting as well as to turn over the books of account and records pertaining to the latter. David, thus, stated:

> It is very clear from the order of July 21, 2003 that the agreement being referred to as having been approved is not the Compromise Agreement but the agreement of the parties to dismiss the claims and counterclaims against each other. This is obvious when the order stated that it is within the right of the parties to amicably settle the issues even if subject Compromise Agreement had not been entered into. Clearly, it was not the Compromise Agreement that was approved, because precisely it involved Olympia, but the underlying agreement between the parties to withdraw their claims against each other which are personal to them in nature. As noted by the trial court, even without the Compromise Agreement, parties could still settle the case amicably and withdraw the claims against one another which is precisely what the parties did.[29]

His contention is devoid of merit.

While David repeatedly claims that his complaint against Paragas, Lobrin and Datoy was personal in character, a review of the causes of action raised by him in his complaint shows that it primarily involved Olympia. As defined, a cause of action is an act or omission by which a party violates a right of another. It requires the existence of a legal right on the part of the plaintiff, a correlative obligation of the defendant to respect such right and an act or omission of such defendant in violation of the plaintffs's rights.[30]

In his complaint, David raised three causes of action. The *first* one dealt with the alleged omission on the part of the other venture partners to respect his right, being Olympia's beneficial owner and PPI's principal agent under the GAA, over the income generated from the sale PPI's pre-need plans. The *second* dealt with his right over all amounts that the venture partners disbursed in excess of those authorized by him, under the premise that he remained Olympia's beneficial owner. The *third* dealt with the acts

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[28] *Rollo*, pp. 73-108.
[29] Id. at 29.
[30] *Spouses Noynay v. Citihomes*, G.R. No. 204160, September 22, 2014.

of the venture partners in causing undue humiliation and shame when he was prevented from boarding his Singapore-bound plane pursuant to the Watch-List Order issued by the Bureau of Immigration at the behest of a letter sent by the counsel of Paragas. Accordingly, David prayed that the RTC:

> a. Declare him as the one entitled to the commission due under the regular and *Pares-Pares* programs net of the agents' commission in his capacity as Principal Agent under the General Agency Agreement with Philam Plans, Inc.;
>
> b. Hold the cash deposits of ₱19,302,902.00 to the extent of ₱18,631,900.00 as a trust fund for the benefit of the subscribers of the Pares-Pares Program and validly held in-trust by [him];
>
> c. Order Defendant RCBC to recognize no other signatory to said deposits except [him].
>
> x x x x [31]

Essentially, David was asking for judicial determination of his rights over Olympia's revenues, funds in the RCBC bank accounts and the amounts used and expended by Olympia through the acts of its directors/defendants. Nothing therein can be said to be "personal" claims against Paragas, Lobrin and Datoy, except for his claim for damages resulting from the humiliation he suffered when he was prevented from boarding his Singapore-bound plane. Obviously, the argument that they executed the compromise agreement in their personal capacities does not hold water.

For even if the Court looks closer at the concessions made, many provisions deal with Olympia's interests instead of the personal claims they have against one another. A review of the Joint Omnibus Motion would also show that the compromise agreement dealt more with David and Olympia. Given this, Olympia did not have the standing in court to enter into a compromise agreement unless impleaded as a party. The RTC did not have the authority either to determine Olympia's rights and obligations. Furthermore, to allow the compromise agreement to stand is to deprive Olympia of its properties and interest for it was never shown that the person who signed the agreement on its behalf had any authority to do so.

More importantly, Lobrin, who signed the compromise agreement, failed to satisfactorily prove his authority to bind Olympia. The CA

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[31] Id. at 70.

observed, and this Court agrees, that the "board resolution" allegedly granting authority to Lobrin to enter into a compromise agreement on behalf of Olympia was more of a part of the "minutes" of a board meeting containing a proposal to settle the case with David or to negotiate a settlement. It should be noted that the said document was not prepared or issued by the Corporate Secretary of Olympia but by a "Secretary to the Meeting." Moreover, the said resolution was neither acknowledged before a notarial officer in Hong Kong nor authenticated before the Philippine Consul in Hong Kong.[32] Considering these facts, the RTC should have denied the Joint Omnibus Motion and disapproved the compromise agreement. In fine, Olympia was not shown to have properly consented to the agreement, for the rule is, a corporation can only act through its Board of Directors or anyone with the authority of the latter. To allow the compromise agreement to stand is to deprive Olympia of its properties and interest for it was never shown that Lobrin had the necessary authority to sign the agreement on Olympia's behalf.

Olympia is an indispensable Party

In *Lotte Phil. Co., Inc. v. Dela Cruz,*[33] the Court reiterated that an indispensable party is a party-in-interest without whom no final determination can be had of an action, and who shall be joined either as plaintiffs or defendants. The joinder of indispensable parties is mandatory. The presence of indispensable parties is necessary to vest the court with jurisdiction, which is "the authority to hear and determine a cause, the right to act in a case." [34]

Considering that David was asking for judicial determination of his rights in Olympia, it is without a doubt, an indispensable party as it stands to be injured or benefited by the outcome of the main proceeding. It has such an interest in the controversy that a final decree would necessarily affect its rights. Not having been impleaded, Olympia cannot be prejudiced by any judgment where its interests and properties are adjudicated in favor of another even if the latter is a beneficial owner. It cannot be said either to have consented to the judicial approval of the compromise, much less waived substantial rights, because it was never a party in the proceedings.

Moreover, Olympia's absence did not confer upon the RTC the jurisdiction or authority to hear and resolve the whole controversy. This lack of authority on the part of the RTC which flows from the absence of

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[32] Id.at 53-54.
[33] 502Phil. 816 (2005).
[34] *Insular Savings Bank v. Far East Bank and Trust Company*, 525 Phil. 238, 250 (2006).

Olympia, being an indispensable party, necessarily negates any binding effect of the subject judicially-approved compromise agreement.

Time and again, the Court has held that the absence of an indispensable party renders all subsequent actions of the court null and void for want of authority to act, not only as to the absent parties but even to those present. The failure to implead an indispensable party is not a mere procedural matter. Rather, it brings to fore the right of a disregarded party to its constitutional rights to due process. Having Olympia's interest being subjected to a judicially-approved agreement, absent any participation in the proceeding leading to the same, is procedurally flawed. It is unfair for being violative of its right to due process. In fine, a holding that is based on a compromise agreement that springs from a void proceeding for want of jurisdiction over the person of an indispensable party can never become binding, final nor executory and it may be "ignored wherever and whenever it exhibits its head." [35]

Lest it be misunderstood, after the remand of this case to the RTC, the parties can still enter into a compromise agreement on matters which are personal to them. That is their absolute right. They can dismiss their claims and counterclaims against each other, but the dismissal should not be dependent or contingent on a compromise agreement, one signatory to which is not a party. It should not also involve or affect the rights of Olympia, the non-party, unless it is properly impleaded as one. Needless to state, a judicial determination of the rights of Olympia, when it is not a party, would necessarily affect the rights of its shareholders or partners, like Paragas, without due process of law.

WHEREFORE, the petition is **DENIED**. The July 31, 2006 Decision of the Court of Appeals and its February 23, 2007 Resolution in CA-G.R. SP No. 80942 are hereby **AFFIRMED**.

SO ORDERED.

JOSE CATRAL MENDOZA
Associate Justice

[35] *Spouses Crisologo v. JEWM*, G.R. No. 196894, March 3, 2014, citing *Buena v. Sapnay*. 116 Phil. 1023 (1962), citing *Banco Espanol-Filipino v. Palanca*, 37 Phil. 921(1918): *Lipana v. Court of First Instance of Cavite*, 74 Phil. 18 (1942).

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

PRESBITERO J. VELASCO, JR.
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

MARVIC M.V.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.

ANTONIO T. CARPIO
Associate Justice
Chairperson, Second 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