

THIRD DIVISION

[G.R. Nos. 140743 & 140745, September 17, 2009]

CITY GOVERNMENT OF TAGAYTAY, PETITIONER, VS. HON. ELEUTERIO F. GUERRERO, PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF TAGAYTAY, BRANCH XVIII; TAGAYTAY-TAAL TOURIST DEVELOPMENT CORPORATION; PROVINCE OF BATANGAS; MUNICIPALITY OF LAUREL, BATANGAS; AND MUNICIPALITY OF TALISAY, BATANGAS, RESPONDENTS.

[G.R. NOS. 141451-52]

AMEURFINA MELENCIO-HERRERA AND EMILINA MELENCIO-FERNANDO, PETITIONERS, VS. HON. ELEUTERIO F. GUERRERO, PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF CAVITE CITY, BRANCH XVIII; TAGAYTAY-TAAL TOURIST DEVELOPMENT CORPORATION; PROVINCE OF BATANGAS; MUNICIPALITY OF LAUREL, BATANGAS; MUNICIPALITY OF TALISAY, BATANGAS; AND CITY OF TAGAYTAY, RESPONDENTS.

D E C I S I O N

NACHURA, J.:

Before the Court are consolidated petitions for review on *certiorari* under Rule 45 of the Rules of Court, assailing the Decision^[1] dated June 19, 1998 and the Resolution^[2] dated November 11, 1999 of the Court of Appeals (CA) in CA-G.R. SP Nos. 39008 and 38298.

The Facts

Tagaytay-Taal Tourist Development Corporation (TTTDC) is the registered owner of two (2) parcels of land covered by Transfer Certificate of Title (TCT) Nos. T-9816^[3] and T-9817^[4] of the Registry of Deeds of Tagaytay City. TTTDC incurred real estate tax liabilities on the said properties for the tax years 1976 to 1983.^[5]

On November 28, 1983, for failure of TTTDC to settle its delinquent real estate tax obligations, the City Government of Tagaytay (City of Tagaytay) offered the properties for

sale at public auction. Being the only bidder, a certificate of sale was executed in favor of the City of Tagaytay and was correspondingly inscribed on the titles of the properties on November 20, 1984.^[6]

On July 14, 1989, the City of Tagaytay filed an unnumbered petition for entry of new certificates of title in its favor before the Regional Trial Court (RTC) of Cavite, Branch XVIII, Tagaytay City. The case was entitled, "In re: Petition for Entry of New Certificate of Title, City of Tagaytay, Petitioner." On December 5, 1989, the RTC granted the petition. The dispositive portion of the Decision^[7] reads:

WHEREFORE, finding the petition to be meritorious and sufficiently sustained with preponderant, legal and factual basis, this Court hereby gives its imprimatur to it and grants the same, dismissing in the process, the Opposition filed by Tagaytay-Taal Tourist Development Corporation. Accordingly, the Register of Deeds of Tagaytay City is hereby ordered to allow the City to consolidate the titles covering the properties in question (TCT Nos. T-9816 and T-9817), by issuing in its favor, and under its name, new Transfer Certificates of Titles and canceling as basis thereof, the said TCT Nos. 9816 and 9817 in the name of Tagaytay-Taal Tourist Development Corporation, all of which, being hereby declared null and void, henceforth.

SO ORDERED.^[8]

In granting the petition for entry of new certificates of title in favor of the City of Tagaytay, the trial court ratiocinated that whatever rights TTTDC had over the properties had been lost by laches for its failure to question the validity of the auction sale. It also ruled that, as of April 30, 1989, the unpaid real estate tax obligations of TTTDC to the City of Tagaytay amounted to P3,307,799.00. Accordingly, TTTDC's failure to exercise its right of redemption by way of paying its delinquent real estate taxes and charges called for the application of Section 75^[9] of Presidential Decree (P.D.) No. 1529, otherwise known as the Property Registration Decree.^[10] TTTDC appealed to the CA. The case was docketed as CA-G.R. No. 24933, entitled "*City of Tagaytay v. Tagaytay-Taal Tourist Development Corporation.*"

On June 29, 1990, Atty. Donato T. Faylona, acting as agent of Ameurfina Melencio-Herrera and Emilina Melencio-Fernando (Melencios), purchased the subject properties pursuant to Section 81^[11] in relation to Section 78^[12] of P.D. No. 464.^[13] The Melencios bought the subject properties for Three Million Five Hundred Fifty Thousand Pesos (P3,550,000.00) representing the total amount of taxes and penalties due on the same.^[14]

Meanwhile, on July 21, 1991, during the pendency of CA-G.R. CV No. 24933, TTTDC

filed a petition for nullification of the public auction involving the disputed properties on the ground that the properties were not within the jurisdiction of the City of Tagaytay and, thus, beyond its taxing authority.^[15] The case, docketed as Civil Case No. TG-1196 before the RTC of Cavite, Branch XVIII, Tagaytay City, was entitled "*Tagaytay-Taal Tourist Development Corporation v. City of Tagaytay, Municipality of Laurel (formerly Talisay), Province of Batangas, Register of Deeds of Batangas, and Register of Deeds of the City of Tagaytay.*"^[16] On the other hand, the City of Tagaytay averred that based on its Charter,^[17] the subject properties were within its territorial jurisdiction.^[18] The sole issue in Civil Case No. TG-1196 was whether the parcels of land covered by TCT Nos. T-9816 and T-9817 were within the territorial jurisdiction of the City of Tagaytay.

Despite the fact that the Melencios had already purchased the subject properties, they were not impleaded in Civil Case No. TG-1196. Thus, on June 23, 1994, they filed a Motion to Intervene.^[19] On October 5, 1994, the RTC issued an Order^[20] denying the motion. The pertinent portions of the Order read:

This Court could clearly discern from the records that on July 13, 1994, this Court, after the parties to the case at bar have concluded the presentation of their respective evidences (sic), issued an Order giving the parties thirty (30) days within which to file their respective memoranda simultaneously and thereafter the instant case is considered submitted for decision. It is equally observed by the Court that although the motion to intervene was filed by the movants on July 1, 1994, the latter had set the same motion for the consideration of this Court on July 15, 1994 at 8:30 o'clock in the morning or two (2) days after the trial in this case was concluded. Thus, while this Court is inclined to agree with movants' postulation that they have a legal interest in the case at bar being the purchasers of the parcels of land involved in the instant controversy, it however believes and so holds that it is legally precluded from granting the motion to intervene on account of the provisions of Section 2, Rule 12 of the Revised Rules of Court which is quoted hereinunder as follows:

"SEC. 2. Intervention. - A person may, before or during a trial, be permitted by the court, in its discretion, to intervene in an action, if he has legal interest in the matter in litigation, or in the success of either of the parties, or an interest against both, or when he is so situated as to be adversely affected by the distribution or other disposition of property in the custody of the court or of an official thereof."

It is quite evident that the movants have filed their motion to intervene beyond the period mentioned in the above-quoted rule as it was repeatedly held by jurisprudence that "the authority of the court to permit a person to intervene is

delimited by the provisions of Section 2, Rule 12 of the Rules of Court - `before or during trial.'" "And, trial is here used in a restricted sense and refers to `the period for the introduction of evidence by both parties.'" (*Pacusa v. Del Rosario*, L-26353, July 29, 1968; 24 SCRA 125, 129-130; *Bool v. Mendoza*, 92 Phil. 892, 895; *Trazo v. Manila Pencil Co.*, 1 SCRA 403, 405).

Surprisingly, even with the denial of the motion, the Melencios did not further pursue their cause. This was allegedly due to the assurances of the City of Tagaytay that it would file a motion for reconsideration and an appeal if the motion for reconsideration was denied. However, the City of Tagaytay filed a defective motion for reconsideration which was denied by the RTC and the City of Tagaytay did not file an appeal from the decision of the trial court.^[21]

On November 11, 1991, the CA, in CA-G.R. No. 24933, affirmed the decision of the trial court in the unnumbered petition. The case was elevated to the Supreme Court *via* a petition for review on *certiorari* and was docketed as G.R. No. 106812.^[22] The case was entitled "*Tagaytay-Taal Tourist Development Corporation v. Court of Appeals (Special Ninth Division) and The City of Tagaytay.*"

During the pendency of the proceedings in G.R. No. 106812, on October 21, 1994, the RTC rendered a Decision^[23] in Civil Case No. TG-1196 wherein the trial court directed the annulment of the public sale of the contested properties. The dispositive portion of the decision reads:

WHEREFORE, judgment is hereby rendered granting the instant petition and as a consequence, the public auction sale of the properties of the petitioner, both covered by TCT Nos. T-9816 and T-9817 of the Registry of Deeds of Tagaytay City, as well as the Certificate of Sale and the Final Bill of Sale of said properties in favor of the respondent City of Tagaytay City (sic), and all proceedings held in connection therewith are hereby annulled and set aside, and the respondent Register of Deeds of the City of Tagaytay is hereby directed to cancel Entries Nos. 21951/T-9816 and 36984/T9816 annotated and appearing on TCT No. T-9816 and Entries Nos. 21950/T-9817 and 30087/T-9817 annotated and appearing on TCT No. T-9817 regarding the sale of the lots described therein in favor of the City of Tagaytay.

Moreover, the writ of preliminary injunction issued by this Court on September 24 is hereby made permanent.

SO ORDERED.^[24]

The City of Tagaytay filed a motion for reconsideration of the RTC decision in Civil Case

No. TG-1196. But for failure to comply with the procedural requirements of a litigious motion, the trial court denied the same in an Order^[25] dated February 28, 1995. The *fallo* of the order reads:

WHEREFORE, in the light of the foregoing, this Court finds no cogent grounds (sic) for a grant of the Motion for Reconsideration filed by respondent City of Tagaytay and considering that the same motion failed to comply with the requirements imposed by Sections 4, 5 and 6 of Rule 15 of the Revised Rules of Court, this Court hereby directs that the said motion be stricken from the records and the Acting Clerk of this Court is directed to enter the Decision dated October 21, 1994 as required under Section 2, Rule 36 of the Revised Rules of Court.

SO ORDERED.^[26]

On November 9, 1994, the RTC Decision dated October 21, 1994 in Civil Case No. TG-1196 became final and executory. On March 24, 1995, the Decision was entered in the Book of Entries of Judgments.^[27]

On August 31, 1995, the Melencios filed before the CA a petition for annulment of judgment of the RTC Decision in Civil Case No. TG-1196. The case was docketed as CA-G.R. SP No. 38298, entitled "*Ameurфина Melencio-Herrera and Emilina Melencio-Fernando v. Hon. Eleuterio F. Guerrero, Tagaytay-Taal Tourist Development Corporation, the Province of Batangas, the Municipality of Laurel, the Municipality of Talisay and the City of Tagaytay.*" In the Petition,^[28] the Melencios questioned the final and executory decision of the trial court on the ground that the City of Tagaytay allegedly committed extrinsic fraud and that was the ultimate reason why they were deprived of property without due process of law. Furthermore, they averred that the decision was rendered with absolute lack of jurisdiction over the subject matter and nature of the petition due to the following: (1) violation of the prohibition to entertain cases without the payment of the required deposit under Section 83 of P.D. No. 464; (2) violation of the doctrine of *litis pendentia* or the doctrine of non-interference with a co-equal body; (3) forum-shopping by TTTDC; and (4) failure to follow the administrative procedure in the settlement of boundary disputes between local government units as provided under the Local Government Code.^[29]

On November 15, 1995, City of Tagaytay also filed before the CA a petition for annulment of judgment of the RTC Decision in Civil Case No. TG-1196. The case was docketed as CA-G.R. SP No. 39008, entitled "*City of Tagaytay v. Hon. Eleuterio F. Guerrero, Tagaytay-Taal Tourist Development Corporation, the Municipality of Laurel, Batangas, and the Municipality of Talisay, Batangas.*" The City of Tagaytay filed the Petition^[30] on the following grounds: (1) the RTC had no primary jurisdiction to resolve boundary disputes;

(2) the RTC committed judicial legislation in its interpretation of Commonwealth Act No. 338 and Republic Act (R.A.) No. 1418; and (3) the RTC acted in excess of jurisdiction in entertaining the case of TTTDC without the deposit of the amount of the tax sale as required by Section 83 of P.D. No. 464.^[31]

CA-G.R. SP Nos. 38298 and 39008 were eventually consolidated.

In the interregnum, on June 10, 1997, the Supreme Court rendered a Decision^[32] in G.R. No. 106812, the dispositive portion of which reads:

WHEREFORE, the decision of respondent Court of Appeals promulgated on November 11, 1991 and its resolution of August 24, 1992, and the decision of the Regional Trial Court of Cavite dated December 5, 1989 are hereby REVERSED and SET ASIDE. The "Petition for Entry of New Certificates of Title" of respondent City of Tagaytay is DENIED.

SO ORDERED.^[33]

In denying the petition, the Court ratiocinated, thus:

The Regional Trial Court of Cavite, sitting as a land registration or cadastral court, could not have ordered the issuance of new certificates of title over the properties in the name of respondent City if the delinquency sale was invalid because said properties are actually located in the municipality of Talisay, Batangas, not in Tagaytay City. Stated differently, respondent City could not have validly collected real taxes over properties that are outside its territorial jurisdiction. x x x.

x x x x

The Regional Trial Court of Cavite in Civil Case No. TG-1196 rendered a decision on October 21, 1994 ruling that the properties in question are actually situated in Talisay, Batangas, hence, the assessment of real estate taxes thereon by respondent City and the auction sale of the properties on November 28, 1983, as well as the Certificate of Sale and Final Bill of Sale in favor of respondent City are null and void. We quote with favor portions of said decision:

As earlier stated herein, the portion of Barrio of Birinayan, Municipality of Talisay, Province of Batangas, by virtue of the provisions of Commonwealth Act No. 338 corresponds to Exhibit

"1-B" of the Plan of Mendez-Nuñez marked as Exhibit "1," and it is noted that Exhibit "1-B" or that portion of the Municipality of Talisay, Province of Batangas given to the respondent City under Commonwealth Act No. 338 is located below the Tagaytay Ridge which was the boundary between the Provinces of Cavite and Batangas before the enactment of Commonwealth Act No. 338. Thus, taking into account the above-quoted portion of the explanatory note of Republic Act No. 1418, there can be no doubt that what had been ordered returned by the law to the Municipality of Talisay, Province of Batangas does not extend only to the portion annexed to the respondent City by virtue of Executive Order No. 336 but also the portion mentioned under Commonwealth Act No. 338. Besides, the same explanatory note mentions specifically the return of the two (2) barrios of Talisay, Batangas, and not merely portions thereof, hence the conclusion is inescapable that Republic Act No. 1418 intended the return of the entire barrios of Caloocan and Birinayan to the same municipality.

It is beyond [any] doubt, therefore, that Lots 10-A and 10-B of TCT Nos. T-9816 and T-9817 of petitioner, which are located in Barrio Birinayan, Municipality of Talisay, Province of Batangas, at the time Republic Act No. 1418 took effect, are no longer within the territorial jurisdiction of the respondent City of Tagaytay and since there is no dispute that under the law, the City of Tagaytay may only subject to the payment of real estate tax properties that are situated within its territorial boundaries (See Sections 27 & 30, Commonwealth Act No. 338; Presidential Decree No. 464; and 1991 Local Government Code), the assessment of real estate taxes imposed by the respondent City on the same properties in the years 1976 up to 1983 appears to be legally unwarranted. In the same manner, the public auction sale, which was conducted by the same respondent on November 28, 1989, for deficiencies on the part of the petitioner to pay real estate taxes on the same years, as well as the certificates of sale and the final bills issued and executed in connection with such auction sale, and all proceedings taken by the respondent City in connection therewith are all considered by this Court as illegal, and null and void.

In fine, this Court finds from the evidence adduced on record that petitioner has preponderantly established its entitlement to the reliefs mentioned in its petition.

WHEREFORE, judgment is hereby rendered granting the instant petition and as a consequence, the public auction sale of the

properties of the petitioner, both covered by TCT Nos. T-9816 and T-9817 of the Registry of Deeds of Tagaytay City, as well as the Certificates of Sale and the Final Bills of Sale of said properties in favor of the respondent Tagaytay City, and all proceedings held in connection therewith are hereby annulled and set aside, and the respondent Register of Deeds of the City of Tagaytay is hereby directed to cancel Entries Nos. 21951/T-9816, 21984/T-9816 annotated and appearing on TCT No. T-9816 and Entries Nos. 21950/T-98917 and 30087/T-9817 annotated and appearing on TCT No. T-9817 regarding the sale of the lots described therein in favor of the City of Tagaytay.

The above-cited decision has not been appealed and is now final and executory.
[34]

The Supreme Court decision in G.R. No. 108612 is already final and executory.

On June 19, 1998, the CA rendered a Decision^[35] dismissing the consolidated petitions for annulment of judgment of the RTC Decision in Civil Case No. TG-1196.

Both the City of Tagaytay and the Melencios filed their respective motions for reconsideration. However, both motions were denied in the Resolution^[36] of the CA dated November 11, 1999.

Hence, the instant consolidated petitions.

The Issues

In G.R. Nos. 140743 and 140745, petitioner City of Tagaytay assigns the following errors:

THE HONORABLE COURT OF APPEALS ERRED IN FAILING TO RULE ON THE QUESTION OF JURISDICTION AND TO CONSIDER THE FACT THAT THE REGIONAL TRIAL COURT OF TAGAYTAY CITY HAS NO JURISDICTION TO RENDER ITS OCTOBER 21, 1994 DECISION BECAUSE:

A] THE REGIONAL TRIAL COURT HAS NO ORIGINAL JURISDICTION OVER A BOUNDARY DISPUTE BETWEEN TWO PROVINCES (CAVITE AND BATANGAS). THE LOCAL GOVERNMENT CODE CLEARLY VESTS PRIMARY AND ORIGINAL JURISDICTION OVER BOUNDARY DISPUTES TO THE SANGGUNIAN OF THE LOCAL GOVERNMENT UNITS

CONCERNED;

B] THE REGIONAL TRIAL COURT DID NOT ACQUIRE JURISDICTION OVER THE CASE FOR FAILURE OF PRIVATE RESPONDENT TO COMPLY WITH THE JURISDICTIONAL REQUIREMENT OF DEPOSITING/PAYING TO THE COURT THE AMOUNT EQUIVALENT TO THE TAX SALE AS MANDATED BY SECTION 83 OF PRESIDENTIAL DECREE NO. 464 OTHERWISE KNOWN AS THE "REAL PROPERTY TAX CODE" AND SECTION 35 (C) OF COMMONWEALTH ACT NO. 338 (TAGAYTAY CITY CHARTER); AND

C] THE REGIONAL TRIAL COURT HAS NO JURISDICTION TO CHANGE/AMEND THE EXISTING TERRITORIAL LIMITS OF POLITICAL SUBDIVISIONS.^[37]

In G.R. Nos. 141451-52, the Melencios assign the following errors, *viz.*:

I.

THE COURT OF APPEALS ERRED IN RULING THAT FOR EXTRINSIC FRAUD TO JUSTIFY AND/OR WARRANT THE NULLIFICATION OF THE DECISION OF THE REGIONAL TRIAL COURT, THE SAME MUST BE COMMITTED BY THE "PREVAILING PARTY."

II.

THE COURT OF APPEALS FAILED TO CONSIDER THAT PETITIONERS HAVE VESTED RIGHTS OVER THE SUBJECT PARCELS OF LAND.

III.

THE COURT OF APPEALS ERRED IN FAILING TO ANNUL THE JUDGMENT ON THE GROUND THAT PETITIONERS WERE NOT IMPEADED IN THE CASE DESPITE BEING INDISPENSABLE PARTIES.

IV.

THE COURT OF APPEALS ERRED IN DISREGARDING THE FOLLOWING JURISDICTIONAL ISSUES:

- (1) SECTION 83 OF PD 464;
- (2) THE DOCTRINE OF EXHAUSTION OF ADMINISTRATIVE

REMEDIES.

(3) THE DOCTRINE OF NON-FORUM SHOPPING;

(4) DOCTRINE OF LITIS PENDENTIA; AND

(5) THE DOCTRINE OF NON-INTERFERENCE OF CO-EQUAL BODY

V.

THE COURT OF APPEALS ERRED IN FAILING TO DECLARE THAT RESPONDENT COURT HAD NO JURISDICTION TO REPEAL BY IMPLICATION THE PROVISIONS OF COMMONWEALTH ACT NO. 338 WHICH REFERS TO THE SUBJECT PARCELS OF LAND.^[38]

The errors assigned by petitioners may be distilled into two major issues: (1) whether the RTC had jurisdiction to settle the alleged boundary dispute; and (2) whether the City of Tagaytay committed extrinsic fraud against the Melencios.

The Ruling of the Court

I. On Lack of Jurisdiction

The consolidated petitions are an offshoot of the petitions for annulment of judgment of the RTC Decision in Civil Case No. TG-1196 filed by the City of Tagaytay and the Melencios.

Annulment of Judgment under Rule 47 of the Rules of Court is a recourse equitable in character and allowed only in exceptional cases where the ordinary remedies of new trial, appeal, petition for relief or other appropriate remedies are no longer available through no fault of petitioner.^[39] Section 2 of the said Rule provides that the annulment may be based only on the grounds of extrinsic fraud and lack of jurisdiction, although jurisprudence recognizes denial of due process as an additional ground.^[40]

Petitioners aver that the instant case involves a boundary dispute and, thus, the RTC had no jurisdiction to decide the matter. They maintain that the basic issue resolved by the RTC was the location of the properties, whether in the City of Tagaytay or in the Province of Batangas. They cite Sections 118 and 119 of the Local Government Code in support of their argument. The said sections read:

SECTION 118. Jurisdictional Responsibility for Settlement of Boundary Dispute. -- Boundary disputes between and among local government units shall, as much as possible, be settled amicably. To this end:

(a) Boundary disputes involving two (2) or more barangays in the same city or

municipality shall be referred for settlement to the sangguniang panlungsod or sangguniang bayan concerned.

(b) Boundary disputes involving two (2) or more municipalities within the same province shall be referred for settlement to the sangguniang panlalawigan concerned.

(c) Boundary disputes involving municipalities or component cities of different provinces shall be jointly referred for settlement to the sanggunians of the province concerned.

(d) Boundary disputes involving a component city or municipality on the one hand and a highly urbanized city on the other, or two (2) or more highly urbanized cities, shall be jointly referred for settlement to the respective sanggunians of the parties.

(e) In the event the sanggunian fails to effect an amicable settlement within sixty (60) days from the date the dispute was referred thereto, it shall issue a certification to that effect. Thereafter, the dispute shall be formally tried by the sanggunian concerned which shall decide the issue within sixty (60) days from the date of the certification referred to above.

SECTION 119. Appeal. -- Within the time and manner prescribed by the Rules of Court, any party may elevate the decision of the sanggunian concerned to the proper Regional Trial Court having jurisdiction over the area in dispute. The Regional Trial Court shall decide the appeal within one (1) year from the filing thereof. Pending final resolution of the disputed area prior to the dispute shall be maintained and continued for all legal purposes.

They further claimed that the RTC had no jurisdiction to repeal by implication Commonwealth Act No. 338,^[41] particularly on the territorial limits of the City of Tagaytay.

The subject properties, covered by TCT Nos. 9816 and 9817, are more particularly described as follows:

TECHNICAL DESCRIPTION
TCT No. T-9816
CITY OF TAGAYTAY

A parcel of land (Lot 10-A of the subdivision plan (LRC) Psd-229279, being a portion of Lot 10, Psu-82838, Amd. 4 LRC Record No. 49057), situated in the Barrio of Birinayan, Municipality of Talisay, Province of Batangas, Island of Luzon. Bounded on the NW., and NE., points 7 to 1, and 1 to 2 by Lot 10-B; on the SE., points 3 to 4, by Lot 10-C both of the subdivision plan; and on the SW., points 4 to 7, by property of Agapito Rodriguez x x x containing an area of SEVENTY FOUR THOUSAND THREE HUNDRED FORTY (74,340) SQUARE METERS, more or less x x x.^[42]

TECHNICAL DESCRIPTION
TCT No. T-9817
CITY OF TAGAYTAY

A parcel of land (Lot 10-B, of the subdivision plan (LRC) Psd-229279, being a portion of Lot 10, Psu-82838, Amd. 4., LRC Record No. 49057), situated in the Barrio of Birinayan, Municipality of Talisay, Province of Batangas, Island of Luzon. Bounded on the NE., points 14 to 1; and 1 to 4 by property of Angel T. Limjoco; on the SE., points 4 to 5 by Lot 10-D; on the SW., and SE., points 5 to 7 by Lot 10-A, both of the subdivision plan; on the SW., points 7 to 9 by property of Agapito Rodriguez; and on the NW., points 9 to 12 by Lot 11, points 12 to 13 by Lot 9, and points 13 to 14 by Lot 7, x x x containing an area of NINE HUNDRED THIRTY SEVEN THOUSAND EIGHT HUNDRED FOURTEEN (937,814) SQUARE METERS, more or less. x x x.^[43]

Based on the decision of the Court in G.R. No. 106812 and the findings of fact of the RTC, as affirmed by the CA, the subject properties that are situated in Barrio Birinayan, Municipality of Talisay, are within the territorial jurisdiction of the Province of Batangas. This factual finding binds this Court and is no longer subject to review. Recourse under Rule 45 of the Rules of Court, as in this case, generally precludes the determination of factual issues.

Under Commonwealth Act No. 338, Barrio Birinayan was annexed to the City of Tagaytay as of its incorporation on June 31, 1938. However, upon the passage of R.A. No. 1418^[44] on June 7, 1956, Barrio Birinayan was taken away from the City of Tagaytay and transferred to the Province of Batangas. The pertinent portions of R.A. No. 1418 read:

SECTION 1. The former barrios of Caloocan and Birinayan of the Municipality of Talisay, Province of Batangas, which were annexed to the City of Tagaytay, are hereby separated from the latter city and transferred to the said Municipality of Talisay.

SECTION 2. The portion of Executive Order numbered three hundred and

thirty-six, dated April first, nineteen hundred and forty-one, relating to the transfer of the said barrios of Caloocan and Birinayan to the City of Tagaytay, is hereby repealed.

On June 21, 1969, by virtue of R.A. No. 5689,^[45] Barrio Birinayan became part of the Municipality of Laurel, Province of Batangas. Section 1 of R.A. No. 5689 reads:

SECTION 1. Barrios Bayuyungan, Ticub, Balakilong, Bugaan, Borinayan, Asis, San Gabriel, and Buso-buso in the Municipality of Talisay, Province of Batangas, are separated from said municipality and constituted into a distinct and independent municipality to be known as the Municipality of Laurel, same province. The seat of government of the new municipality shall be in the present site of Barrio Bayuyungan.

Central to the resolution of this dispute is the proper interpretation of Section 1 of R.A. No. 1418. Petitioner City of Tagaytay argues that only certain portions of Birinayan were transferred to the Province of Batangas, and not the entire Barrio. However, upon perusal, it can be easily discerned that the law is clear and categorical. The transfer of the entire Barrio Birinayan to the Municipality of Talisay, Province of Batangas, is definite and unqualified. There is no indication that only certain portions of the Barrio were transferred. Thus, no further interpretation is required in order to ascertain its meaning and consequent implication.

A statute is not subject to interpretation or construction as a matter of course. It is only when the language of the statute is ambiguous when taken in relation to a set of facts, or reasonable minds disagree as to its meaning, that interpretation or construction becomes necessary. Where the terms of the statute are clear and unambiguous, no interpretation is called for, and the law is applied as written, for application is the first duty of the court, and interpretation is needed only where literal application is impossible or inadequate.^[46]

Every statute is understood to contain, by implication, if not by its express terms, all such provisions as may be necessary to effectuate its object and purpose, or to make effective the rights, powers, privileges, or jurisdiction which it grants, and also all such collateral and subsidiary consequences as may be fairly and logically inferred from its terms.^[47]

There is no boundary dispute in the case at bar. The RTC did not amend the existing territorial limits of the City of Tagaytay and the Province of Batangas. The entire Barrio Birinayan was transferred to the Municipality of Talisay, Province of Batangas, by virtue of R.A. No. 1418. At present, Barrio Birinayan forms part of the Municipality of Laurel, also in the Province of Batangas, pursuant to R.A. No. 5689. The RTC acted well within its powers when it passed judgment on the nullification of the auction sale of the contested properties, considering that the City of Tagaytay has no right to collect real estate taxes on

properties that are not within its territorial jurisdiction.

The City of Tagaytay acted in bad faith when it levied real estate taxes on the subject properties. R.A. No. 1418 became law as early as 1956. The City of Tagaytay is conclusively presumed to know the law that delineates its jurisdiction, more especially when the law, as in this case, is clear and categorical. Men of common intelligence need not guess at its meaning and differ on its application. The entire Barrio Birinayan, not only portions thereof, was transferred to the Province of Batangas. If it was the true intention of the legislature to transfer only certain portions of Barrio Birinayan to the Province of Batangas, it would have plainly stated so in the law.

Petitioners also claim that the doctrine of exhaustion of administrative remedies was violated when the RTC took cognizance of the case for the annulment of the auction sale. They aver that the jurisdiction of the RTC is only appellate in view of Section 119 of R.A. No. 7160. However, as already explained, the instant case does not involve a boundary dispute. As such, there is no room for the application of Section 119.

Petitioners likewise make reference to Section 83 of P.D. No. 464 to assail the jurisdiction of the RTC in entertaining the petition for the annulment of the auction sale of the contested properties. They aver that compliance with Section 83 of P.D. No. 464 is a jurisdictional requirement that must be complied with before a court may take cognizance of a case assailing the validity of a tax sale of real estate. The said Section reads:

Section 83. Suits assailing validity of tax sale. No court shall entertain any suit assailing the validity of a tax sale of real estate under this Chapter until the taxpayer shall have paid into court the amount for which the real property was sold, together with interests of twenty per centum per annum upon that sum from the date of sale to the time of instituting suit. The money so paid into court shall belong to the purchaser at the tax sale if the deed is declared invalid, but shall be returned to the depositor if the action fails.

However, this provision may only be used in a voidable tax sale. When the sale is void because the property subjected to real estate tax is not situated within the jurisdiction of the taxing authority, the provision cannot be invoked. In this case, there is already a final and executory decision by the Supreme Court in G.R. No. 106812 that the properties are situated outside the territorial jurisdiction of the City of Tagaytay. Thus, there was no basis for the collection of the real estate tax.

The other arguments of petitioners, *i.e.*, violation of the doctrine of non-forum shopping, violation of the doctrine of *litis pendentia* and the doctrine of non-interference of a co-equal body, must likewise be struck down. These issues were already addressed by the Court, through the *ponencia* of Justice Kapunan, in G.R. No. 106812, *viz.*:

The issues raised before the RTC sitting as a land registration or cadastral court, without question, involved substantial or controversial matters and, consequently, beyond said court's jurisdiction. The issues may be resolved only by a court of general jurisdiction.

In Re: *Balanga v. Court of Appeals*, we emphatically held:

x x x. While it is true that Section 78 of Act. 496 on which the petition is based provides that upon the failure of the judgment-debtor to redeem the property sold at public auction the purchaser of the land *may be granted* a new certificate of title, the exercise of such function is qualified by the provision that "at any time prior to the entry of a new certificate the registered owner may pursue all his lawful remedies to impeach or annul proceedings under executions or to enforce liens of any description." The right, therefore, to petition for a new certificate under said section is not absolute but subject to the determination of any objection that may be interposed relative to the validity of the proceedings leading to the transfer of the land subject thereof which should be threshed out in a separate appropriate action. This is the situation that obtains herein. Teopista Balanga, the judgment-debtor, is trying to impeach or annul the execution and sale of the properties in question by alleging that they are conjugal in nature and the house erected on the land has been constituted as a family home which under the law is exempt from execution. These questions should first be determined by the court in an ordinary action before entry of a new certificate may be decreed.

This pronouncement is also in line with the interpretation we have placed on Section 112 of the same Act to the effect that although cadastral courts are empowered to order the cancellation of a certificate of title and the issuance of a new one in favor of the purchaser of the land covered by it, such relief can only be granted if there is unanimity among the parties, or no serious objection is interposed by a party in interest. As this Court has aptly said: "While this section, (112) among other things, authorizes a person in interest to ask the court for any erasure, alteration, or amendment of a certificate of title x x x and apparently the petition comes under its scope, such relief can only be granted if there is unanimity among the parties, or there is no adverse claim or serious objection on the part of any party in interest; otherwise the case becomes controversial and should be threshed out in an ordinary case or in the case where the incident properly belongs" (*Angeles v. Razon*, G.R. No. L-13679, October 26, 1959, and cases cited therein). x x x.

From the foregoing ruling, it is clear that petitions under Section 75 and Section 108 of P.D. 1529 (formerly Sec. 78 and Sec. 112 of Act 496) can be taken cognizance of by the RTC sitting as a land registration or cadastral court. Relief under said sections can only be granted if there is *unanimity among the parties*, or that there is no adverse claim or serious objection on the part of any party in interest; otherwise, the case becomes controversial and should be threshed out in an ordinary case or in the case where the incident properly belongs.^[48]

The foregoing *ponencia* is now the controlling precedent on the matters being raised anew by petitioners. We can no longer digress from such ruling. The determination of the questions of fact and of law by this Court in G.R. No. 106812 already attained finality, and may not now be disputed or relitigated by a reopening of the same questions in a subsequent litigation between the same parties and their privies over the same subject matter.

Furthermore, Section 4, sub-paragraph (3), Article VIII of the 1987 Constitution explicitly provides that no doctrine or principle of law laid down by the Supreme Court en banc or its Divisions may be modified or reversed except by the Court sitting en banc. Reasons of public policy, judicial orderliness, economy, judicial time, and interests of litigants, as well as the peace and order of society, all require that stability be accorded the solemn and final judgments of the courts or tribunals of competent jurisdiction. There can be no question that such reasons apply with greater force to final judgments of the highest Court of the land.^[49]

II. *On Extrinsic Fraud*

Fraud is of two categories. It may either be: (a) actual or constructive and (b) extrinsic or intrinsic.

Actual or positive fraud proceeds from an intentional deception practiced by means of the misrepresentation or concealment of a material fact. Constructive fraud is construed as such because of its detrimental effect upon public interest and public or private confidence, even though the act is not done with an actual design to commit positive fraud or injury upon other persons.^[50]

On the other hand, fraud may also be either extrinsic or intrinsic. There is intrinsic fraud where the fraudulent acts pertain to an issue involved in the original action, or where the acts constituting the fraud were or could have been litigated therein. Fraud is regarded as extrinsic where the act prevents a party from having a trial or from presenting his entire case to the court, or where it operates upon matters pertaining not to the judgment itself but to the manner in which it is procured, so that there is not a fair submission of the controversy. Extrinsic fraud is also actual fraud, but collateral to the transaction sued upon.^[51]

In this case, the Melencios allege extrinsic fraud on the part of petitioner City of Tagaytay for its failure to implead them in Civil Case No. TG-1196. They allege that they are indispensable parties to the case, considering that have vested rights to protect, being purchasers of the subject parcels of land. Sadly, this contention does not persuade.

Extrinsic fraud refers to any fraudulent act of the prevailing party in the litigation which is committed outside of the trial of the case, whereby the unsuccessful party has been prevented from exhibiting fully his case, by fraud or deception practiced on him by his opponent. The fraud or deceit cannot be of the losing party's own doing, nor must such party contribute to it. The extrinsic fraud must be employed against it by the adverse party, who, because of some trick, artifice, or device, naturally prevails in the suit.^[52] It affects not the judgment itself but the manner in which the said judgment is obtained.^[53]

Extrinsic fraud is also present where the unsuccessful party has been prevented by his opponent from exhibiting fully his case by keeping the former away from court or giving him a false promise of a compromise; or where the defendant never had knowledge of the suit, having been kept in ignorance by the acts of the plaintiff; or where an attorney fraudulently or without authority assumed to represent a party and connived at his defeat; or where the attorney regularly employed corruptly sold out his client's interest to the other side. The overriding consideration is that the fraudulent scheme of the prevailing litigant prevented a party from having his day in court.^[54]

In the instant case, we find that the action or inaction of the City of Tagaytay does not amount to extrinsic fraud. The City of Tagaytay is not the prevailing party in the assailed decision. Moreover, the Melencios were not totally without fault in protecting their interest. They were aware of the pendency of Civil Case No. TG-1196, as shown by their filing of a motion to intervene in the case. When their motion was denied by the trial court, they no longer pursued their cause.

The alleged assurances and representations of certain officials of the City of Tagaytay that they would file the necessary motion for reconsideration or appeal in case of an unfavorable decision in Civil Case No. TG-1196 was not an impediment to the Melencios protecting their rights over the disputed properties. There is no allegation that the City of Tagaytay prevented them from, or induced them against, acting on their own. Its failure to implead the Melencios did not prevent the latter from having their day in court, which is the essence of extrinsic fraud.

The foregoing disquisition notwithstanding, we reiterate our finding that the City of Tagaytay acted in bad faith when it levied real estate taxes on the subject properties, and should be held accountable for all the consequences thereof, including the void sale of the properties to the Melencios.

The City of Tagaytay is accountable for erroneously assessing taxes on properties outside

its territorial jurisdiction. As of the passage of R.A. No. 1418 in 1956, the City of Tagaytay is presumed to know that Barrio Birinayan, in which the subject properties are situated, is no longer within its territorial jurisdiction and beyond its taxing powers.

Under the doctrine of *respondeat superior*, the principal is liable for the negligence of its agents acting within the scope of their assigned tasks.^[55] The City of Tagaytay is liable for all the necessary and natural consequences of the negligent acts of its city officials. It is liable for the tortious acts committed by its agents who sold the subject lots to the Melencios despite the clear mandate of R.A. No. 1418, separating Barrio Birinayan from its jurisdiction and transferring the same to the Province of Batangas. The negligence of the officers of the City of Tagaytay in the performance of their official functions gives rise to an action *ex contractu* and *quasi ex-delictu*. However, the Melencios cannot recover twice for the same act or omission of the City of Tagaytay.

Negligence is the failure to observe protection of the interests of another person, that degree of care, precaution, and vigilance which the circumstances justly demand, whereby such other person suffers injury.^[56] Thus, negligence is the want of care required under circumstances.^[57]

In this case, it is basic that before the City of Tagaytay may levy a certain property for sale due to tax delinquency, the subject property should be under its territorial jurisdiction. The city officials are expected to know such basic principle of law. The failure of the city officials of Tagaytay to verify if the property is within its jurisdiction before levying taxes on the same constitutes gross negligence.

Accordingly, the City of Tagaytay is liable to return the full amount paid by the Melencios during the auction sale of the subject properties by way of actual damages. The amount paid at the auction sale shall earn interest at the rate of six percent (6%) per annum from the time of the finality of the RTC decision in Civil Case No. TG-1196, when the claim was judicially demanded. Thereafter, interest at the rate of twelve percent (12%), in lieu of the 6%, shall be imposed on such amount upon finality of this decision until full payment thereof.^[58]

The gross negligence of the City of Tagaytay in levying taxes and auctioning properties to answer for real property tax deficiencies outside its territorial jurisdiction amounts to bad faith that calls for the award of moral damages. Moral damages are meant to compensate the claimant for any physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation and similar injuries unjustly caused. Although incapable of pecuniary estimation, the amount must somehow be proportional to and in approximation of the suffering inflicted.^[59]

Moral damages are awarded to enable the injured party to obtain means, diversions or amusements that will serve to alleviate the moral suffering the person has undergone, by reason of defendant's culpable action. The award is aimed at restoration, as much as

possible, of the spiritual *status quo ante*. Thus, it must be proportionate to the suffering inflicted. Since each case must be governed by its own peculiar circumstances, there is no hard and fast rule in determining the proper amount.^[60]

The social standing of the aggrieved party is essential to the determination of the proper amount of the award. Otherwise, the goal of enabling him to obtain means, diversions, or amusements to restore him to the *status quo ante* would not be achieved.^[61]

The Melencios are likewise entitled to exemplary damages. Exemplary or corrective damages are imposed by way of example or correction for the public good, in addition to the moral, temperate, liquidated, or compensatory damages.^[62] Article 2229 of the Civil Code grants the award of exemplary or corrective damages in order to deter the commission of similar acts in the future and to allow the courts to mould behavior that can have grave and deleterious consequences to society.^[63] In the instant case, the gross negligence of the City of Tagaytay in erroneously exacting taxes and selling properties outside its jurisdiction, despite the clear mandate of statutory law, must be rectified.

WHEREFORE, in lieu of the foregoing, the Decision dated June 19, 1998 and the Resolution dated November 11, 1999 of the Court of Appeals in CA-G.R. SP Nos. 39008 and 38298 are hereby **AFFIRMED WITH MODIFICATIONS**:

(1) The City of Tagaytay is hereby **ORDERED** to return to petitioners Ameurfina Melencio-Herrera and Emilina Melencio-Fernando the total amount that they have paid in connection with the auction sale of the lands covered by Transfer Certificate of Title Nos. 9816 and 9817, plus interest on the said amount at six percent (6%) per annum from the date of the finality of the decision of the Regional Trial Court in Civil Case No. TG-1196. A twelve percent (12%) interest per annum, in lieu of the six percent (6%), shall be imposed on such amount upon finality of this decision until the full payment thereof;

(2) The City of Tagaytay is hereby **ORDERED** to pay petitioners Ameurfina Melencio-Herrera and Emilina Melencio-Fernando moral damages in the amount of Five Hundred Thousand Pesos (P500,000.00);

(3) The City of Tagaytay is hereby **ORDERED** to pay petitioners Ameurfina Melencio-Herrera and Emilina Melencio-Fernando exemplary damages in the amount of Two Hundred Thousand Pesos (P200,000.00); and

(4) To pay the costs of this suit.

SO ORDERED.

Ynares-Santiago, (Chairperson), Chico-Nazario, Velasco, Jr., and Peralta, JJ., concur.

[1] Penned by Associate Justice Bernardo Ll. Salas, with Associate Justices Ma. Alicia Austria- Martinez (a retired member of this Court) and Artemio G. Tuquero, concurring; *rollo* (G.R. Nos. 140743 and 140745), pp. 33-56.

[2] *Id.* at 57-58.

[3] *CA rollo*, p. 51.

[4] *Id.* at 52.

[5] *Rollo* (G.R. Nos. 140743 and 140745), p. 66.

[6] *Id.*

[7] *Rollo* (G.R. Nos. 141451-52), pp. 88-90.

[8] *Id.* at 90.

[9] P.D. 1529, Sec. 75:

SEC. 75. *Application for new certificate upon expiration of redemption period.* -- Upon the expiration of the time, if any, allowed by law for redemption after registered land has been sold on execution taken or sold for the enforcement of a lien of any description, except a mortgage lien, the purchaser at such sale or anyone claiming under him may petition the court for the entry of a new certificate of title to him.

Before the entry of a new certificate of title, the registered owner may pursue all legal and equitable remedies to impeach or annul such proceedings.

[10] *Rollo* (G.R. Nos. 141451-52), p. 89.

[11] P.D. 464, Sec. 81:

SECTION 81. *Disposition of real property acquired by province or city.* -- The provincial or city treasurer shall have charge of the delinquent real property acquired by the province or city under the provisions of Section seventy-five during which time the delinquent taxpayer shall have possession and usufruct of such property in accordance with Section seventy-nine hereof. Said treasurer shall take steps within one year from the date of issuance of final bill of sale to dispose of the delinquent real property at public auction; but at any time before the auction sale, any person in his own right may repurchase such

property by paying the total amount of the taxes and penalties due up to the time of repurchase, the costs of sale, and other legitimate expenses incurred by the province or city with respect to the property, and an additional penalty of twenty per cent on the purchase price: Provided, however, That the right of the delinquent taxpayer or his representative or any person holding lien or claim over the property to further redeem said property within one year from the date of acquisition by the province or city, in the manner provided in Section seventy-eight hereof; and, Provided, further That if the treasurer has entered into a contract for the lease of the property in the meantime, any repurchase made hereunder shall be subject to such contract.

[12] P.D. 464, Sec. 78:

SECTION 78. *Redemption of real property after sale.* -- Within the term of one year from the date of the registration of sale of the property, the delinquent taxpayer or his representative, or in his absence, any person holding a lien or claim over the property, shall have the right to redeem the same by paying the provincial or city treasurer or his deputy the total amount of taxes and penalties due up to the date of redemption, the costs of sale and the interest at the rate of twenty per centum on the purchase price, and such payment shall invalidate the sale certificate issued to the purchaser and shall entitle the person making the same to a certificate from the provincial or city treasurer or his deputy, stating that he had redeemed the property.

The provincial or city treasurer or his deputy shall, upon surrender by the purchaser of the certificate of sale previously issued to him, forthwith return to the latter the entire purchase price paid by him plus the interest at twenty per centum per annum herein provided for, the portion of the cost of the sale and other legitimate expenses incurred by him, and said property shall thereafter be free from the lien of said taxes and penalties.

[13] Republic Act No. 7160 (Local Government Code of 1991) repealed P.D. No. 464 (The Real Property Tax Code); *rollo* (G.R. Nos. 140743 and 140745), p. 36; *rollo* (G.R. Nos. 141451-52), p. 495.

[14] *Rollo* (G.R. Nos. 141451-52), p. 496.

[15] *Rollo* (G.R. Nos. 140743 and 140745), p. 37.

[16] *Id.* at 66.

[17] Commonwealth Act No. 338.

[18] In Civil Case No. TG-1196, respondents Province of Batangas and Municipality of Batangas adopted the stand of TTTDC that the litigated properties are within the jurisdiction of Talisay, Batangas. (*Id.* at 69.)

[19] *CA rollo* (CA-G.R. SP No. 38298), pp. 376-379.

[20] *Id.* at 381-382.

[21] *Rollo* (G.R. Nos. 140743 and 140745), p. 37.

[22] *Id.* at 36.

[23] *Id.* at 66-76.

[24] *Id.* at 76.

[25] *Id.* at 184-186.

[26] *Id.* at 186.

[27] *Id.* at 187-188.

[28] *CA rollo* (CA G.R. SP No. 38298), pp. 3-28.

[29] *Id.*

[30] *CA rollo* (CA G.R. SP No. 39008), pp. 1-29.

[31] *Id.*

[32] *Tagaytay-Taal Tourist Development Corporation v. Court of Appeals*, G.R. No. 106812, June 10, 1997, 273 SCRA 182.

[33] *Id.* at 199.

[34] *Id.* at 196-199. (Citations omitted.)

[35] *Supra* note 1.

[36] *Supra* note 2.

[37] *Rollo* (G.R. Nos. 140743 and 140745), p. 17.

[38] *Rollo* (G.R. Nos. 141451-52), p. 501.

[39] RULES OF COURT, Rule 47, Sec. 1.

[40] *Biaco v. Philippine Countryside Rural Bank*, G.R. No. 161417, February 8, 2007, 515 SCRA 106; *Intestate Estate of the Late Nimfa Sian v. Philippine National Bank*, G.R. No. 168882, January 31, 2007, 513 SCRA 662; *Arcelona v. Court of Appeals*, 345 Phil. 250 (1997).

[41] Charter of the City of Tagaytay.

[42] *CA rollo* (CA G.R. SP No. 38298), pp. 362-363.

[43] *Id.* at 364-365.

[44] AN ACT TO TRANSFER TO THE MUNICIPALITY OF TALISAY, PROVINCE OF BATANGAS, ITS FORMER BARRIOS OF CALOOCAN AND BIRINAYAN WHICH WERE ANNEXED TO THE CITY OF TAGAYTAY.

[45] AN ACT CREATING THE MUNICIPALITY OF LAUREL IN THE PROVINCE OF BATANGAS.

[46] *Commissioner of Internal Revenue v. Limpan Investment Corp., et al.*, 145 Phil. 191 (1970).

[47] *Department of Agrarian Reform v. Philippine Communications Satellite Corp.*, G.R. No. 152640, June 15, 2006, 490 SCRA 729; *Go Chioco v. Martinez*, 45 Phil. 256 (1923).

[48] *Tagaytay-Taal Tourist Development Corporation v. Court of Appeals*, *supra* note 32. (Citations omitted.)

[49] *Lee Bun Ting v. Judge Aligaen*, 167 Phil. 164 (1977).

[50] *Cal, Jr. v. Zosa*, G.R. No. 152518, July 31, 2006, 497 SCRA 291.

[51] *Id.*

[52] *Tan v. Court of Appeals*, G.R. No. 157194, June 20, 2006, 491 SCRA 452.

[53] *People v. Bitanga*, G.R. No. 159222, June 26, 2007, 525 SCRA 623.

[54] *Biacco v. Philippine Countryside Rural Bank*, supra note 40.

[55] *City of Manila v. Intermediate Appellate Court*, G.R. No. 71159, November 15, 1989, 179 SCRA 428; *Torio v. Fontanilla*, G.R. Nos. L-29993 and L-30183, October 23, 1978, 85 SCRA 599; *Municipality of Moncada v. Cajuigan*, G.R. No. 7048, January 12, 1912, 21 Phil. 184.

[56] *Layugan v. Intermediate Appellate Court*, G.R. No. L-73998, November 14, 1988, 167 SCRA 363.

[57] *Corliss v. Manila Railroad Company*, No. L-21291, March 28, 1969, 27 SCRA 674.

[58] The foregoing disposition on the interest rate on the amount of liability of the City of Tagaytay to the Melencios is based on the guidelines set by the Court in *Eastern Shipping Lines v. Court of Appeals*, (234 SCRA 78), viz.:

I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169^[58] of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount of finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

[59] *Kierulf v. Court of Appeals*, G.R. Nos. 99301 and 99343, March 13, 1997, 269 SCRA 433, 451.

[60] *Id.* at 452.

[61] *Samson, Jr. v. Bank of the Philippine Islands*, 453 Phil. 577 (2003).

[62] CIVIL CODE, Art. 2229.

[63] *People of the Philippines v. Leodegario Bascugin y Agquiz*, G.R. No. 184704, June 30, 2009.