



Republic of the Philippines
Supreme Court
Baguio City

EN BANC

**BASES CONVERSION AND
DEVELOPMENT AUTHORITY,**
Petitioner,

G.R. No. 219421

- versus -

**CJH DEVELOPMENT CORPORATION,
CAP-JOHN HAY TRADE AND
CULTURAL CENTER, INC., CAMP
JOHN HAY GOLF CLUB, INC.,
CREATIVE ERA LIMITED, FRANCOR,
INC., MAKATI FOUNDRY, INC., V.R.
GONZALEZ CREDIT ENTERPRISES,
INC., NORMAN R. AGOJO, RUBEN A.
ALCOBER, MELINDA T. ALCOBER,
AND RYAN JOSEPH T. ALCOBER, FE. C
ANCHETA, SPOUSES ALEX I.
AVECILLA AND IMELDA S.
AVECILLA, ANTONIO F. CACAL,
MARCIAL CAMPOS AND
MAGDALENA CAMPOS, SARINA C.
CARANDANG, ANGELINA T.
CASTILLO, WILSON L.A. CHUA, LILIA
A. CO, JUSTO J. DANGUILAN, NERISSA
S. DE LEON, LUCIO T. DE MESA,
SERGIO C. GATMAITAN, LUCILA V.
JOSON, SPOUSES JESSE ANDREW
JUSAYAN AND MA. LIRA D. JUSAYAN,
SPOUSES ANTONIO ERNESTO F.
LAGDAMEO AND MARIE RACHEL T.
LAGDAMEO, EDGAR L. LAUANG,
ANDRES F. MENDIA, JR., ANACLETO**

J

MOA, TERESITA S. NERY, PRISCILLA L. OLIVEROS, DANILO V. PASA, VIRGINIA B. PERALTA, WILLIAM L. PRESCILLAS, RAFAELA B. RAMOS, SPOUSES ANTONIO P. RETRATO AND CARMELITA E. RETRATO, NOEL R. RICAMATA, DANILO S. SANTOS, JOAQUIN ENRICO C. SANTOS, VALENTINA O. SIY, BERNADETTE ANG TESORO, SPOUSES AURELIO M. UMALI AND CZARINA D. UMALI, BENITO L. VALDEZ, MARGARITA M. VILLARANTE AND CHARINA N. RAMENTO, JESSE T. YOUNG, AND MICHELLE YU,

Respondents.

CJH DEVELOPMENT CORPORATION,
Petitioner,

G.R. No. 241772

Present:

**GESMUNDO, C.J.,
LEONEN,
CAGUIOA,
HERNANDO,
LAZARO-JAVIER,
INTING,
ZALAMEDA,
LOPEZ, M.,
GAERLAN,
ROSARIO,
LOPEZ, J.,
DIMAAMPAO,
MARQUEZ,
KHO, JR., and
SINGH, JJ.**

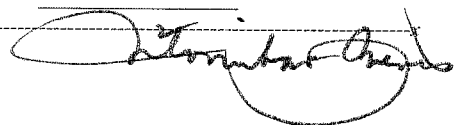
- versus -

**COMMISSION ON AUDIT and BASES
CONVERSION AND DEVELOPMENT
AUTHORITY,**

Promulgated:

Respondents.

April 3, 2024




DECISION

DIMAAMPAO, J.:

At the maelstrom of these consolidated Petitions are the actions of the Court of Appeals (CA) and the Commission on Audit (COA) in relation to the arbitration proceedings freely entered between the Bases Conversion Development Authority (BCDA) and CJH Development Corporation (CJH DevCo).

The precursor facts are undisputed.

G.R. No. 219421 is a Petition for Review on *Certiorari*¹ filed by the BCDA, which fulminates against the Decision² of the CA in CA-G.R. SP Nos. 140422 and 140490. The impugned Decision reversed the Order³ of Branch 6 of the Regional Trial Court (RTC) of Baguio City in Civil Case No. 7561-R, which confirmed the Final Award⁴ of the tribunal in an arbitration case between the BCDA and CJH DevCo.

In the petition, CJH DevCo was impleaded as one of the respondents along with Cap-John Jay Trade and Cultural Center, Inc., Camp John Hay Golf Club, Inc. (CJH Golf), Creative Era Limited (Creative Era), Francor, Inc., Makati Foundry, Inc., V. R. Gonzalez Credit Enterprises, Inc., Norman R. Agojo, Ruben A. Alcober, Melinda T. Alcober and Ryan Joseph T. Alcober, Fe C. Ancheta, Spouses Alex I. Avecilla and Imelda S. Avecilla, Antonio F. Cacal, Marcial Campos and Magdalena Campos, Sarina C. Carandang, Angelina T. Castillo, Wilson L. A. Chua, Lilia A. Co, Justo J. Danguilan, Nerissa S. De Leon, Lucio T. De Mesa, Sergio C. Gatmaitan, Lucila V. Josen, Spouses Jesse Andrew Jusayan and Ma. Lira D. Jusayan, Spouses Antonio Ernesto F. Lagdameo and Marie Rachel T. Lagdameo, Edgar L. Lauang, Andres F. Mendia, Jr., Anacleto Moa, Teresita S. Nery, Priscilla L. Oliveros, Danilo V. Pasa, Virginia B. Peralta, William L. Prescillas, Rafaela B. Ramos, Spouses Antonio P. Retrato and Carmelita E. Retrato, Noel R. Ricamata, Danilo S. Santos, Joaquin Enrico C. Santos, Valentina O. Siy, Bernadette Ang Tesoro, Spouses Aurelio M. Umali and Czarina D. Umali, Benito L. Valdez, Margarita M. Villarante and Charina N. Ramento, Jesse T. Young, and Michelle Yu (sub-lessees).

¹ *Rollo* (G.R. No. 219421), pp. 16–174.

² *Id.* at 176–242; *rollo* (G.R. No. 241772), pp. 389–455. The July 30, 2015 Decision was penned by Associate Justice Noel G. Tijam (now a retired Member of the Court) and concurred in by Associate Justices Myra V. Garcia-Fernandez and Victoria Isabel A. Paredes of the Former Special Fifth Division, Court of Appeals, Manila.

³ *Rollo* (G.R. No. 219421), pp. 770–776; *rollo* (G.R. No. 241772), pp. 370–376. The March 27, 2015 Order was issued by Acting Presiding Judge Cecilia Corazon S. Dulay-Archog.

⁴ *Rollo* (G.R. No. 219421), pp. 243–517; *rollo* (G.R. No. 241772), pp. 53–328. The February 11, 2015 Final Award in PDRCI Case No. 60-2012 was signed by the Chairman Mario E. Valderrama and Co-Arbitrators Rogelio C. Nicandro and Teodoro Kalaw IV of the Philippine Dispute Resolution Center, Inc. *See also rollo* (G.R. No. 219421), pp. 518–769. Separate Opinion to the Final Award of Co-Arbitrator Teodoro Kalaw IV.

The BCDA was formed under Republic Act No. 7227.⁵ One of its primary purposes was to own, hold and/or administer several former military reservations held by the United States of America. This includes the 695-hectare property in Camp John Hay, Baguio City.⁶

Under the same Act, the BCDA was created to implement the government's policy to accelerate the sound and balanced conversion of former US military bases into alternative productive uses and enhance the benefits derived therefrom to promote the nation's economic and social development.⁷

Whence, Camp John Hay was transformed into the 625-hectare John Hay Special Economic Zone (JHSEZ). Thereupon, the BCDA publicly bid out the lease of a 247-hectare portion of the JHSEZ (leased property), including existing improvements for the development of a family-oriented public tourism complex, multiple-use forest watershed, and human resource development center.⁸ The project was eventually awarded to CJH DevCo, the consortium which formed the joint venture.

Ensuingly, the BCDA, as lessor, and Fil-Estate Management, Inc., Penta Capital Investment Corporation, and CJH DevCo, as lessees, entered into a Lease Agreement⁹ on October 19, 1996 (1996 Lease Agreement) for the use, management, and operation of the leased property.¹⁰ The BCDA remained the owner of the 247-hectare portion while ownership of the improvements the CJH DevCo introduced thereon pertained to the latter. Nevertheless, CJH DevCo had the obligation to transfer ownership of the said improvements to BCDA at the end of the lease agreement.¹¹ Likewise, the BCDA authorized CJH DevCo to sublease the property to third persons.¹²

As it happened, CJH DevCo developed and marketed the real estate built on the leased property to the public, resulting in various investments on the improvements constructed therein.¹³

However, records evince that the parties had disputes regarding their respective obligations under the 1996 Lease Agreement and the subsequent

⁵ Republic Act No. 7227 (1992), Bases Conversion and Development Act of 1992.

⁶ See *rollo* (G.R. No. 219421), p. 28.

⁷ Sec. 2. *Declaration of Policies*. It is hereby declared the policy of the Government to accelerate the sound and balanced conversion into alternative uses of the Clark and Subic military reservations and their extension (John Hay Station, Wallace Air Station, O'Donnell Transmitter Station, San Miguel Naval Communications Station and Capas Relay Station), to raise funds by the sale of portions of Metro Manila military camps, and to apply said funds as provided herein for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended.

⁸ *Rollo* (G.R. No. 219421), pp. 5924-5925; *rollo* (G.R. No. 241772), pp. 675-676. 1996 Lease Agreement.

⁹ *Rollo* (G.R. No. 219421), pp. 5921-5965; *rollo* (G.R. No. 241772), pp. 672-716.

¹⁰ *Rollo* (G.R. No. 219421), p. 255; *rollo* (G.R. No. 241772), p. 66. PDRCI Final Award.

¹¹ *Rollo* (G.R. No. 219421), p. 182; *rollo* (G.R. No. 241772), p. 395. CA Decision.

¹² *Id.*

¹³ *Rollo* (G.R. No. 219421), pp. 182-183; *rollo* (G.R. No. 241772), pp. 395-396.

d

Memoranda of Agreement dated May 31, 2000, July 14, 2000, and July 18, 2003,¹⁴ as well as the Restructured Memorandum of Agreement (RMOA) dated July 1, 2008.¹⁵

Pursuant to the arbitration clause provided under the 1996 Lease Agreement and its mirroring clause under the RMOA, CJH DevCo filed a complaint in arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI) against the BCDA. The case was docketed as PDRCI Case No. 60-2012.¹⁶ Thereafter, the arbitral tribunal was constituted with Atty. Mario E. Valderrama as chairperson and Attys. Teodoro Kalaw IV and Rogelio C. Nicandro as co-arbitrators.¹⁷

On February 11, 2015, the arbitral tribunal rendered its Final Award,¹⁸ ruling that a mutual rescission of the agreements was warranted. As consequence thereof, the arbitral tribunal ordered a mutual restitution on account of breach of obligations from both parties. The parties were reverted as far as practicable to their original position prior to the execution of the original lease agreement. The dispositive portion of the Final Award reads:

Having found that both parties were guilty of breaches on matters that are causal in nature, in addition to Our finding that there was mutual mistake on the part of the parties, then We find that mutual rescission is warranted.

.....

Accordingly, We find mutual restitution is proper pursuant to Article 1191 of the New Civil Code.

.....

Wherefore, the Tribunal decides and awards in full and final disposition of this arbitration, as follows:

- (a) The [1996 Lease Agreement], the subsequent Memorandums [sic] of Agreement and the Restructuring Memorandum of Agreement of 2008 are hereby rescinded due to the mutual breach thereof by the parties. The parties are hereby reverted as far as practicable to their original position prior to the execution of the [1996 Lease Agreement]. Accordingly:
 - (a.1) The [CJH DevCo] is ordered to **VACATE the [l]eased [p]remises** and promptly **deliver the [l]eased [p]roperty** inclusive of all new constructions and

¹⁴ *Rollo* (G.R. No. 219421), p. 255; *rollo* (G.R. No. 241772), p. 66.

¹⁵ *Rollo* (G.R. No. 219421), p. 183; *rollo* (G.R. No. 241772), p. 396.

¹⁶ *Id.*

¹⁷ *Rollo* (G.R. No. 219421), p. 246; *rollo* (G.R. No. 241772), p. 57.

¹⁸ *Rollo* (G.R. No. 219421), pp. 243-517; *rollo* (G.R. No. 241772), pp. 53-328.

Ⓟ

permanent improvements introduced during the term of the Lease as reckoned from the execution of the Original Lease Agreement to [the BCDA] in good and tenantable condition in all respects, reasonable wear and tear excepted;

- (a.2) The [BCDA] is ordered to return to [CJH DevCo] the total amount of rentals [CJH DevCo] has paid in the total amount of [PHP] 1,421,096,052.00.
- (b) [CJH DevCo] is hereby declared as not liable for any unpaid back rent consistent with the ruling that rescission and mutual restitution is proper in this case.
- (c) [CJH DevCo]'s alternative prayer for reformation of the [1996 Lease Agreement] or Partial Rescission thereof are **DENIED**.
- (d) Since both parties are mutually in breach of the [1996 Lease Agreement], the respective prayers of both parties for damages based on such are **DENIED**.
- (e) [CJH DevCo]'s prayer for Attorney's Fees, Litigation Expenses, and Costs of the Suit is **DENIED**.
- (f) [The BCDA]'s prayer for moral damages of not less than [PHP] 10,000,000.00 for besmirching [the] BCDA's reputation and attorney's fees is **DENIED**.
- (g) The parties have been assessed the costs of arbitration, as defined in Article 38 of the New Arbitration Rules of the PDRCI, which have been fully paid. **Each party shall bear its own costs.**
- (h) All other requests for relief not otherwise disposed of above are hereby **DENIED**.¹⁹ (Emphasis in the original)

To confirm the Final Award, both the BCDA²⁰ and CJH DevCo²¹ filed their respective verified petitions with the RTC. CJH DevCo attached a list of its sub-lessees²² to its petition.

¹⁹ *Rollo* (G.R. No. 219421), pp. 184–185, 505–506, 514–515; *rollo* (G.R. No. 241772), pp. 317–318, 326–327, 397–398.

²⁰ *Rollo* (G.R. No. 219421), p. 186.

²¹ *Rollo* (G.R. No. 219421), pp. 786–829.

²² *Id.* at 807–829.

The RTC confirmed the Final Award *in toto* in its Order²³ dated March 27, 2015, which later became final and executory as neither of the parties sought reconsideration.²⁴ It held that:

The Final Award is clear. It needs no further interpretation. Moreover, this Court is not authorized to revise, interpret or in any way encroach upon the work of the Arbitral Tribunal except to act on specific grounds to vacate an award which does not exist in the instant case.

As to the list of sub-lessees and/or vested right holders, they will be governed by the law on obligations and contracts.²⁵

Accordingly, the RTC issued a Writ of Execution,²⁶ directing the BCDA to pay the monetary award in accordance with the Final Award and ordering Atty. Linda G. Montes-Loloy, the ex-officio sheriff, and Sheriff Bobby D. Galano, to issue a notice to vacate against CJH DevCo and all persons claiming under them.

On April 20, 2015, a Notice to Vacate²⁷ was served upon CJH DevCo and the other parties, i.e., the sub-lessees, who occupy the leased property. Subsequently, the BCDA was also served a demand to pay CJH DevCo the amount of PHP 1,421,096,052.00 within 30 days from notice.²⁸ Thence, the BCDA opened an escrow account with the Trust Banking Group of the Development Bank of the Philippines in the amount fixed in the arbitral award.²⁹

On May 4, 2015, CJH DevCo filed a Very Urgent Omnibus Motion (Omnibus Motion),³⁰ seeking to clarify the Notice to Vacate and praying that the phrase “and all persons claiming under them” be declared to refer only to CJH DevCo, and not to sub-lessees occupying the leased property.

Without the RTC having resolved the Omnibus Motion, CJH DevCo sought recourse before the CA via a Petition for *Certiorari* and Prohibition (With Urgent Applications for the Issuance of a Temporary Restoring Order and/or a Writ of Preliminary Injunction).³¹ In its petition, CJH DevCo imputed grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the trial court for its “implied denial” on the Omnibus Motion, and for including the removal of the sub-lessees from the leased property to its

²³ Rollo (G.R. No. 219421), pp. 186, 770–776; rollo (G.R. No. 241772), pp. 774–780.

²⁴ Rollo (G.R. No. 219421), pp. 777–778.

²⁵ Rollo (G.R. No. 219421), p. 773; rollo (G.R. No. 241772), p. 777.

²⁶ Rollo (G.R. No. 219421), pp. 186, 779–783.

²⁷ Rollo (G.R. No. 219421), pp. 186, 784; rollo (G.R. No. 241772), p. 818.

²⁸ Rollo (G.R. No. 219421), pp. 186, 785; rollo (G.R. No. 241772), p. 819.

²⁹ Rollo (G.R. No. 219421), pp. 187, 1908; rollo (G.R. No. 241772), p. 400.

³⁰ Rollo (G.R. No. 219421), pp. 187, 830–847; rollo (G.R. No. 241772), pp. 400, 820–837.

³¹ Rollo (G.R. No. 219421), pp. 848–902; rollo (G.R. No. 241772), pp. 838–892.

J.

obligation to vacate the subject area.³² The case was docketed as CA-G.R. SP No. 140422.

Upon the other hand, the sub-lessees filed a separate Petition-In-Intervention, docketed as CA-G.R. SP No. 140490, claiming in common that they entered into deeds of sale with CJH DevCo, in good faith and for full value, over various units within Camp John Hay. They were issued Limited Warranty Deeds, which allowed the sub-lessees to occupy and purportedly own their units until 2046. Assailing the Final Award, the sub-lessees contend that the same did not mention or adjudicate their rights over the units that they ostensibly bought and/or leased from CJH DevCo. Their inclusion in the RTC Order of confirmation of the arbitral award and the subsequent Writ of Execution was unfounded and violative of due process, tantamount to grave abuse of discretion.

CA-G.R. SP Nos. 140422 and 140490 were later consolidated.

In due course, the CA rendered the impugned Decision,³³ nullifying the Notice to Vacate and the Writ of Execution, and adjudging that they were issued with grave abuse of discretion as the trial court sought to enforce the arbitral award against the parties who were excluded from arbitration. Nevertheless, the CA ordered, *inter alia*, that (1) CJH DevCo promptly vacate and cease operations on the leased premises upon payment of the BCDA of its claim in the amount of PHP 1,421,096,052.00; and (2) the BCDA respect and not disturb the various contracts of the sub-lessees occupying the leased premises. The CA disposed of the consolidated cases thusly—

As to CA-G.R. SP. No. 140422 – MAIN CASE

The instant Petition for [*Certiorari*] is **GRANTED**. Accordingly:

1. [The RTC] is **ORDERED** to **CEASE AND DESIST** from enforcing the Writ of Execution dated April 14, 2015 and Notice to Vacate dated April 20, 2015 against [CJH DevCo] until it is fully paid of the amount of [PHP] 1,421,096,052[.]00 as indicated in the Arbitral Award;
2. For the time being, [the RTC] is **ENJOINED** from enforcing the Final Award dated February 11, 2015, Writ of Execution dated April 14, 2015 and Notice to Vacate dated April 20, 2015 against the [sub-lessees] and Intervenors occupying the leased premises until their respective rights and interests are determined under compulsory arbitration or as may be adjudicated by the regular courts.
3. [CJH DevCo] is hereby **ORDERED**:

³² *Rollo* (G.R. No. 219421), p. 872; *rollo* (G.R. No. 241772), p. 862.

³³ *Rollo* (G.R. No. 219421), pp. 176–242; *rollo* (G.R. No. 241772) pp. 389–455.

4

- a) to promptly **VACATE and CEASE its operations** on the leased premises upon payment of its claim in the amount of [PHP] 1,421,096,052.00 with the [COA]. However, in the interim, [CJH DevCo] shall not enter into new contracts with 3rd parties and/or perform any action that would contravene the tenor of the arbitral award before receipt of its payment;
- b) to **TURNOVER** immediately the management of the Camp John Hay Project to [the BCDA] and to endorse to [the BCDA] all contracts it entered into with the [sub-lessees] during the existence of the lease. This is consistent with the declaration in the arbitral award as to the rescission and expiration of the lease agreement.
- c) to **FURNISH** [the] BCDA an inventory of all the constructions, buildings, and other improvements on the leased premises, including amounts received from the [sub-lessees] occupants in the leased premises from the start of the lease agreement up to the finality of this judgment;
4. [The BCDA] is hereby **ORDERED**:
- a) to **RESPECT** and **NOT TO DISTURB** the various contracts of the Third Parties occupying the leased premises;
- b) to **ASSIST** in the **PROCESSING** of the claim of [CJH DevCo] filed with the COA, who much act within 60 days, pursuant to existing laws.
5. [CJH DevCo] and [the BCDA] are **ORDERED**:
- a) to **CONDUCT** joint audit of the inventory to be submitted by [CJH DevCo.]

As to the Other Petitioners-Intervenors (CA-G.R. SP No. 140422) and Petitioner Cap John Jay Trade and Cultural Center[,] Inc. (CA-G.R. SP No. 140490)

The *Petition* is **GRANTED**. Judgment is hereby rendered as follows:

- (1) The *March 27, 2015 Order, April 14, 2015 Writ of Execution, and the April 20, 2015 Notice to Vacate* issued by the [RTC] [] in Civil Case No. 7651-R are hereby **ANNULLED** and **SET ASIDE** insofar as they are being made to apply to Petitioners-Intervenors and Petitioner Cap John Hay Trade and Cultural Center, Inc.;
- (2) A *Writ of Prohibition* is **issued[,] permanently restraining** [the RTC] from enforcing and implementing the The [sic] *March 27, 2015 Order, April 14, 2015 Writ of Execution, and the April 20, 2015 Notice to Vacate*;
- (3) Petitioners-Intervenors and Petitioner Cap John Hay Trade and Cultural Center, Inc. are hereby **ordered to submit themselves to**
- g

arbitration with the BCDA pursuant to provisions of the [1996 Lease Agreement] which are equally binding on the third parties and existing laws and jurisprudence.

In the alternative, if the parties refuse to submit to compulsory arbitration, they should immediately litigate their respective rights and obligations before the regular courts.

SO ORDERED.³⁴

Crestfallen, the BCDA now seeks succor before the Court, beseeching it to set aside the ruling of the CA and raising a plethora of arguments, synthesized as follows:

First, the CA, in effect modified the Final Award when it ordered the RTC to cease and desist from the implementation of the Writ of Execution and the Notice to Vacate against CJH DevCo until the BCDA has fully paid the arbitral award.

Second, the CA likewise unlawfully modified the Final Award when it excluded the sub-lessees from the coverage of the Writ of Execution and the Notice to Vacate, considering that they were sub-lessees and not third parties as posited by CJH DevCo.

Third, the CA overstepped its authority when it ordered the BCDA to assume all of CJH DevCo's contractual obligations even if this was not indicated in the Final Award.

Fourth, the CA erred in ruling that the BCDA must first pay CJH DevCo before it is obliged to vacate the leased property.

Fifth, the CA should not have granted the *certiorari* petitions filed by CJH DevCo and the sub-lessees as they were bereft of merit.³⁵

Expostulating with the averments of the BCDA, CJH DevCo maintains that the RTC acted beyond its jurisdiction when it included sub-lessees, who are not covered by the Final Award, in its implementation.³⁶ CJH DevCo avouches that the CA correctly held that the parties' respective obligations under the Final Award are reciprocal and ought to be performed simultaneously,³⁷ insisting that BCDA cannot demand performance from CJH DevCo unless the former has already paid the latter.

³⁴ *Rollo* (G.R. No. 219421), pp. 238-241; *rollo* (G.R. No. 241772), pp. 451-454. (Emphasis in the original)

³⁵ *See rollo* (G.R. No. 219421), pp. 54-55.

³⁶ *Rollo* (G.R. No. 219421), p. 3840. Comment (of CJH Development Corporation).

³⁷ *Id.* at 3855.

q

Upon the other hand, **G.R. No. 241772** is a Petition for *Certiorari*³⁸ filed by CJH DevCo, fulminating against the Decision³⁹ and the Resolution⁴⁰ of the COA, which dismissed without prejudice the petition for the enforcement of the final arbitral award and denied the motion for reconsideration thereof, respectively, in COA CP Case No. 2015-610.

CJH DevCo filed a Petition for the Enforcement and Payment of a Final and Executory Arbitral Award (petition for enforcement),⁴¹ praying that the payment of the monetary award to it by the BCDA be allowed, in compliance with the directive contained in the impugned Decision of the CA in CA-G.R. SP Nos. 140422 and 140490.

The COA dismissed the petition for enforcement “without prejudice to its refileing upon the final determination by the Supreme Court of the rights and obligations of the contracting parties.”⁴² The COA took cognizance of the pendency of G.R. No. 219421 before this Court and determined that the Court must first resolve the issue of whether the obligation to return what has been received from each of the parties (the BCDA and CJH DevCo) is fulfilled simultaneously or contingent upon one’s performance of its obligation before the COA may process CJH DevCo’s claim.⁴³

Taking umbrage at the dismissal of its money claim, CJH DevCo imputes grave abuse of discretion on the part of the COA, postulating that since the Final Award has become final, executory, and immutable, notwithstanding the pendency of G.R. No. 219421 before the Court, the COA should have granted the same.⁴⁴

The Issues

A percipient analysis of the Petitions divulges the following jugular issues for resolution by this Court:

In **G.R. No. 219421**—

1. Whether a *certiorari* petition before the CA the proper recourse to question the execution and implementation of the court-confirmed arbitral award?

³⁸ *Rollo* (G.R. No. 241772), pp. 3–42.

³⁹ *Id.* at 43–51. The September 27, 2017 Decision No. 2017-312 was signed by Chairperson Michael G. Aguinaldo, and Commissioners Jose A. Fabia and Isabel D. Agito of the Commission on Audit, Quezon City.

⁴⁰ *Id.* at 52. The COA *En Banc* Notice in Resolution No. 2018-075 dated April 26, 2018 denying the Motion for Reconsideration was signed by Director IV, Commission Secretary Nilda B. Paras.

⁴¹ *Rollo* (G.R. No. 241772), pp. 505–529.

⁴² *Id.* at 50.

⁴³ *Id.* at 48.

⁴⁴ *Id.* at 17.

9

2. Whether the CA erred in granting the petitions for *certiorari*—
 - 2.1 enjoining the implementation of the Writ of Execution and the Notice to Vacate against the sub-lessees who had existing agreements with CJH DevCo?
 - 2.2 directing the BCDA to first pay the arbitral award before CJH DevCo could be ordered to vacate the leased property?
 - 2.3 instructing the BCDA and the sub-lessees to submit themselves to separate arbitration?

In G.R. No. 241772—

Whether the COA acted with grave abuse of discretion amounting to lack or excess of jurisdiction in dismissing CJH DevCo's petition for money claim despite finality of the arbitral award.

The Court's Ruling

The Court finds merit in the Petition for Review on Certiorari docketed as G.R. No. 219421.

Conversely, given CJH DevCo's failure to establish grave abuse of discretion on the part of the COA, the Petition for Certiorari in G.R. No. 241772 ought to be dismissed.

In the case at bench, it remains irrefutable that the Final Award has become final and executory. In actual fact, the BCDA and CJH DevCo filed their respective petitions for confirmation thereof. Both were in accord that the arbitral award is conclusive and binding upon them, determinative of their rights and interests.

CJH DevCo attached to its petition for confirmation a list of "sub-lessees, sub-locators, and other third parties who, in good faith, acquired vested rights in the leased property." The RTC confirmed the Final Award in its entirety and issued the requisite Writ of Execution and Notice to Vacate, which included the sub-lessees occupying the leased premises.

During the pre-execution conference before the RTC, however, CJH DevCo filed an Omnibus Motion to exclude the sub-lessees from the enforcement of the February 11, 2015 Final Award, the April 4, 2015 Writ of Execution and the April 20, 2015 Notice to Vacate.

The controversy arose when CJH DevCo filed before the CA a Petition for *Certiorari* and Prohibition (With Urgent Applications for the Issuance of

g

a Temporary Restraining Order and/or a Writ of Preliminary Injunction)⁴⁵ under Rule 65 of the Rules of Court in order to assail the Writ of Execution and the Notice to Vacate issued by the RTC, without waiting for the RTC to decide on the Omnibus Motion. To recapitulate, CJH DevCo asserted that the trial court, the ex-officio sheriff, and the sheriff committed grave abuse of discretion when they included the sub-lessees—who were not parties to the arbitration proceedings—in enforcing the arbitral award. CJH DevCo likewise maintained that there was no appeal or any plain, speedy, and adequate remedy available to it considering that at the time it filed the *certiorari* petition before the CA, the Notice to Vacate was about to be implemented without the RTC making a definite ruling on the following issues: *one*, whether the arbitral tribunal is binding on the sub-lessees; and *two*, whether it should vacate the property without the BCDA performing its obligation of returning the rent it already paid.⁴⁶ Subsequently, the petition was granted by the appellate court.

In granting the *certiorari* petition of CJH DevCo and the petition-in-intervention of the sub-lessees, the CA adjudged that *certiorari* is the proper remedy in challenging the trial court's erroneous execution of the arbitral award. It noted that "even under the Special ADR Rules, a petition for [*certiorari*] is allowed, not only from the order confirming the arbitral award but also from orders of a trial court relating to the implementation of the award, pursuant to the Supreme Court ruling in *Department of Environment and Natural Resources (DENR) v. United Planners Consultant, Inc. (UPCI)*⁴⁷ that "Special ADR Rules, as far as practicable, should be made to apply not only to the proceedings on confirmation but also to the confirmed award's execution."⁴⁸

Veritably, Rule 22.1⁴⁹ of the Special ADR Rules have included and incorporated the applicable provisions of the Rules of Court. More specifically, Rule 19.26 provides that—

Rule 19.26. *Certiorari to the Court of Appeals.* - When the [RTC], in making a ruling under the Special ADR Rules, has acted without or in excess of its jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, and there is no appeal or any plain, speedy, and adequate remedy in the ordinary course of law, a party may file a special civil action for *certiorari* to annul or set aside a ruling of the [RTC].

⁴⁵ *Rollo* (G.R. No. 219421), pp. 848–902; *rollo* (G.R. No. 241772), pp. 838–892.

⁴⁶ *Rollo* (G.R. No. 219421), pp. 197–198.

⁴⁷ 754 Phil. 513 (2015) [Per J. Perlas-Bernabe, First Division].

⁴⁸ *Id.* at 531; see also *rollo* (G.R. No. 219421), pp. 198–199.

⁴⁹ Rule 22.1. *Applicability of Rules of Court.* – The provisions of the Rules of Court that are applicable to the proceedings enumerated in Rule 1.1 of these Special ADR Rules have either been included and incorporated in these Special ADR Rules or specifically referred to herein. In connection with the above proceedings, the Rules of Evidence shall be liberally construed to achieve the objectives of the Special ADR Rules.

A special civil action for [*certiorari*] may be filed against the following orders of the court[:]

- a. Holding that the arbitration agreement is inexistent, invalid or unenforceable;
- b. Reversing the arbitral tribunal's preliminary determination upholding its jurisdiction;
- c. Denying the request to refer the dispute to arbitration;
- d. Granting or refusing an interim relief;
- e. Denying a petition for the appointment of an arbitrator;
- f. Confirming, vacating or correcting a domestic arbitral award;
- g. Suspending the proceedings to set aside an international commercial arbitral award and referring the case back to the arbitral tribunal;
- h. Allowing a party to enforce an international commercial arbitral award pending appeal;
- i. Adjourning or deferring a ruling on whether to set aside, recognize and[/]or enforce an international commercial arbitral award;
- j. Allowing a party to enforce a foreign arbitral award pending appeal; and
- k. Denying a petition for assistance in taking evidence.

In the above-cited *DENR* case, the Supreme Court elucidated that the Special ADR Rules also apply to proceedings concerning the execution of the confirmed arbitral award, *viz.*:

While it appears that the Special ADR Rules remain silent on the procedure for the execution of a confirmed arbitral award, it is the Court's considered view that the Rules' procedural mechanisms cover not only aspects of confirmation but necessarily extend to a confirmed award's execution in light of the doctrine of necessary implication which states that every statutory grant of power, right or privileges is deemed to include all incidental power, right or privilege. In *Atienza v. Villarosa*, the doctrine was explained, thus:

No statute can be enacted that can provide all the details involved in its application. There is always an omission that may not meet a particular situation. What is thought, at the time of enactment, to be an all-embracing legislation may be inadequate to provide to the unfolding of events of the future. So-called gaps in the law develop as the law is enforced. One of the rules of statutory construction used to fill in the gap is the doctrine of necessary implication. The doctrine states that what is implied in a statute is as much a part thereof as that which is expressed. Every statute is understood, by implication, to contain all such provisions as may be necessary to effectuate its object and purpose, or to make effective rights, powers, privileges or jurisdiction which it grants, including all such collateral and subsidiary consequences as may be fairly and logically inferred from its terms. *Ex necessitate legis*. And every statutory grant of power, right or privilege is deemed to include all incidental power, right or privilege. This is so because the greater includes the lesser, expressed in the maxim, *in eo plus sit, semper inest et minus*. []

As the Court sees it, execution is but a necessary incident to the Court's confirmation of an arbitral award. To construe it otherwise would result in an absurd situation whereby the confirming court previously applying the Special ADR Rules in its confirmation of the arbitral award would later shift to the regular Rules of Procedure come execution. Irrefragably, a court's power to confirm a judgment award under the Special ADR Rules should be deemed to include the power to order its execution for such is but a collateral and subsidiary consequence that may be fairly and logically inferred from the statutory grant to regional trial courts of the power to confirm domestic arbitral awards.

All the more is such interpretation warranted under the principle of *ratio legis est anima* which provides that a statute must be read according to its spirit or intent, for what is within the spirit is within the statute although it is not within its letter, and that which is within the letter but not within the spirit is not within the statute. Accordingly, since the Special ADR rules are intended to achieve speedy and efficient resolution of disputes and curb a litigious culture, every interpretation thereof should be made consistent with these objectives.

Thus, with these principles in mind, the Court so concludes that the Special ADR Rules, as far as practicable, should be made to apply not only to the proceedings on confirmation but also to the confirmed award's execution.⁵⁰

Pertinently, Section 40 of Republic Act No. 9285⁵¹ provides that a domestic arbitral award, when confirmed, shall be enforced in the same manner as final and executory decisions of the RTC. Primal is the rule that once a judgment becomes final and executory, all that remains is the execution of the decision and parties are not allowed to object to the execution of a final judgment.⁵² The order of execution may only be challenged by an aggrieved party via a special civil action for *certiorari*, prohibition, or *mandamus*⁵³ when any of the following instances are present, *viz.*:

- 1) the writ of execution varies the judgment;
- 2) there has been a change in the situation of the parties making execution inequitable or unjust;
- 3) execution is sought to be enforced against property exempt from execution;
- 4) it appears that the controversy has never been submitted to the judgment of the court;
- 5) the terms of the judgment are not clear enough and there remains room for interpretation thereof; or
- 6) it appears that the writ of execution has been improvidently issued, or that it is defective in substance, or is issued against the wrong party, or

⁵⁰ *Department of Environment and Natural Resources (DENR) v. United Planters Consultants, Inc. (UPCI)*, 754 Phil. 513, 530–531 (2015) [Per J. Perlas-Bernabe, First Division].

⁵¹ Republic Act No. 9285 (2004), Alternative Dispute Resolution Act of 2004.

⁵² *See Orix Metro Leasing and Finance Corp. v. Cardline, Inc.*, 778 Phil. 280, 285 (2016) [Per J. Brion, Second Division].

⁵³ *See Sps. Garcia v. Sps. Soriano*, 879 Phil. 342, 352 (2020) [Per J. Inting, Second Division].

9

that the judgment debt has been paid or otherwise satisfied, or the writ was issued without authority.⁵⁴

In the *certiorari* petition before the CA, CJH DevCo averred that the RTC committed grave abuse of discretion in extending the obligation to vacate the leased premises to sub-lessees.

Consequently, the remedy of a petition for *certiorari* is the appropriate procedural recourse to determine whether the trial court actually committed grave abuse of discretion in the implementation of the arbitral award. Nevertheless, to warrant the issuance of such writ, the party availing the same must show compliance with certain requisites.

A writ of *certiorari* may be issued only for the correction of errors of jurisdiction or grave abuse of discretion amounting to lack or excess of jurisdiction. Such cannot be used for any other purpose, as its function is limited to keeping the inferior court within the bounds of its jurisdiction. A petition for *certiorari* may only prosper upon the concurrence of the following essential requisites: (1) the writ is directed against a tribunal, a board or any officer exercising judicial or quasi-judicial functions; (2) such tribunal, board or officer has acted without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction; and (3) there is no appeal or any plain, speedy and adequate remedy in the ordinary course of law.⁵⁵

Plain as day, there was no compliance with the foregoing requisites.

To the Court's mind, the certiorari petition filed by CJH DevCo before the CA, in which the sub-lessees sought to intervene, was premature. It appears that CJH DevCo filed a *certiorari* petition before the CA without waiting for the RTC to rule on its Omnibus Motion—(1) to declare all vested rights holders excluded from the enforcement of the February 11, 2015 Final Award, the April 4, 2015 Writ of Execution and the April 20, 2015 Notice to Vacate; and (2) to declare as well the BCDA's reported opening of an escrow account as noncompliance with Section 9(a),⁵⁶ Rule 39 of the Rules of Court

⁵⁴ *Id.* at 353.

⁵⁵ See *Global Medical Center of Laguna, Inc. v. Ross Systems International, Inc.*, G.R. Nos. 230112 & 230119, May 11, 2021 [Per J. Caguioa, *En Banc*].

⁵⁶ Section 9. *Execution of judgments for money, how enforced.* —

(a) *Immediate payment on demand.* — The officer shall enforce an execution of a judgment for money by demanding from the judgment obligor the immediate payment of the full amount stated in the writ of execution and all lawful fees. The judgment obligor shall pay in cash, certified bank check payable to the judgment obligee, or any other form of payment acceptable to the latter, the amount of the judgment debt under proper receipt directly to the judgment obligee or his authorized representative if present at the time of payment. The lawful fees shall be handed under proper receipt to the executing sheriff who shall turn over the said amount within the same day to the clerk of court of the court that issued the writ. If the judgment obligee or his authorized representative is not present to receive payment, the judgment obligor shall deliver the aforesaid payment to the executing sheriff. The latter shall turn over all the amounts coming into his possession within the same day to the clerk of court of the court that issued the

and to order the BCDA to pay the amount of PHP 1,421,096,052.00 in legal tender or a bank certified check.⁵⁷ CJH DevCo precipitately sought to annul and set aside the RTC's "implied denial" thereof.

Given this factual milieu, there can be no quibbling that the CA hastily acted on CJH DevCo's *certiorari* petition, in light of the unresolved Omnibus Motion pending before the trial court. Without the RTC's ruling on the same, there can be no definitive pronouncement that it indeed acted capriciously under the circumstances. In this regard, the assertion that CJH DevCo filed the instant petition since the RTC judge failed to resolve the aforesaid motion despite its urgency considering the 30-day period provided in the Notice to Vacate was about to end, is of no moment.

The records likewise reflect that CJH Golf,⁵⁸ Creative Era,⁵⁹ Virgilio M. Tesoro and Bernadette A. Tesoro,⁶⁰ the Spouses Jesse Andrew Jusayan and Ma. Lira D. Jusayan,⁶¹ and V.R. Gonzales Credit Enterprises, Inc.⁶² each filed affidavits of third-party claim in the same case with the RTC (Civil Case No. 7561-R) under the aforesaid rule. This being so, it cannot be gainsaid that there are other remedies available to the parties which obviously precludes resorting to the instant petition. It is beyond cavil that there was a plain, speedy and adequate remedy available to the third-party claimant which in fact, was availed by some of them.

Moreover, there was no grave abuse of discretion amounting to lack or excess of jurisdiction as to warrant the CA's issuance of the writ of *certiorari*. The RTC-issued execution order did not alter the terms of the arbitral award. Rather, it was the CA which modified the arbitral award. By granting the petitions for *certiorari* and prohibition and in issuing a cease and desist order therefor, the CA, in effect, already ruled on the merits of the proceedings still pending before the RTC.⁶³

When the CA hemmed together its factual findings and legal conclusions, it acted beyond the scope of a petition for *certiorari*, which, as aforementioned, is simply to determine if a tribunal, board or officer has acted

writ, or if the same is not practicable, deposit said amounts to a fiduciary account in the nearest government depository bank of the [RTC] of the locality.

The clerk of said court shall thereafter arrange for the remittance of the deposit to the account of the court that issued the writ whose clerk of court shall then deliver said payment to the judgment obligee in satisfaction of the judgment. The excess, if any, shall be delivered to the judgment obligor while the lawful fees shall be retained by the clerk of court for disposition as provided by law. In no case shall the executing sheriff demand that any payment by check be made payable to him.

⁵⁷ *Rollo* (G.R. No. 219421), p. 187; *rollo* (G.R. No. 241772), p. 400.

⁵⁸ *Rollo* (G.R. No. 219421), pp. 2235-2237.

⁵⁹ *Id.* at 2250-2315.

⁶⁰ *Id.* at 2548-2551.

⁶¹ *Id.* at 2651-2653.

⁶² *Id.* at 2718-2721.

⁶³ *Id.* at 45.

9

without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction.

As it happened, the arbitral tribunal declared in the Final Award—

Thus, [CJH DevCo] should return to [the BCDA] the leased property together with all its improvements.

In turn, [the BCDA] should refund to [CJH DevCo] the rent that the latter already paid, amounting to PHP 1,421,496,052.00[.]⁶⁴

....

Wherefore, the Tribunal decides and awards in full and final disposition of this arbitration, as follows:

- (a) The [1996 Lease Agreement], the subsequent Memorandums [sic] of Agreement and the Restructuring Memorandum Agreement of 2008 are hereby rescinded due to the mutual breach thereof by the parties. The parties are hereby reverted as far as practicable to their original position prior to the execution of the [1996 Lease Agreement]. Accordingly:
 - (a.1) [CJH DevCo] is ordered to **VACATE the [l]eased [p]remises** and promptly **deliver the [l]eased [p]roperty**, inclusive of all new construction and permanent improvements introduced during the term of the [l]ease as reckoned from the execution of the [1996 Lease Agreement], to [the BCDA] in good and tenantable condition in all respects, reasonable wear and tear excepted;
 - (a.2) The [BCDA] is ordered to return to [CJH DevCo] the total amount of rentals Claimant has paid in the total amount [PHP] 1,421,096,052.00.
- (b) [CJH DevCo] is hereby declared as not liable for any unpaid back rent consistent with the ruling that rescission and mutual restitution is proper in this case.
- (c) [CJH DevCo]'s alternative prayers for reformation of the Original Lease Agreement or Partial Rescission thereof are **DENIED**.

⁶⁴ *Id.* at 508; *rollo* (G.R. No. 241772), p. 320.

9

- (d) Since both parties are mutually in breach of the lease agreement, the respective prayers of both parties for damages based on such are **DENIED**.
- (e) [CJH DevCo]'s prayer for Attorney's fees, Litigation expenses, and Costs of Suit is **DENIED**.
- (f) [The BCDA]'s prayer for moral damages of not less than [PHP] 10,000,000.00 for besmirching BCDA's reputation and attorney's fees is **DENIED**.
- (g) The parties have been assessed the costs of arbitration, as defined in Article 38 of the New Arbitration Rules of the PDRCI, which have been fully paid. **Each party shall bear its own costs.**
- (h) All other requests for relief not otherwise disposed of above are hereby **DENIED**.⁶⁵

As earlier adumbrated, the RTC confirmed the Final Award *in toto*, and consequently issued the Writ of Execution, which reads in part—

NOW[,] THEREFORE, we command you to demand from [CJH DevCo] to VACATE the subject leased premises (property) inclusive of all new improvements introduced during the term of the Lease as reckoned from the execution of the [1996 Lease Agreement] and turn over to [the BCDA] in good and tenantable condition in all respect[s], reasonable wear and tear excepted.

You are also commanded to demand from [the BCDA] the immediate return in full of the amount of ONE BILLION FOUR HUNDRED TWENTY[-]ONE MILLION NINETY[-]SIX THOUSAND FIFTY[-]TWO [PESOS] ([PHP] 1,421,096,052.00)[.] together with the lawful fees for service of this execution and pay the same to [CJH DevCo].⁶⁶

In turn, the ex-officio sheriff and the sheriff of the RTC issued and served the Notice to Vacate the premises first to CJH DevCo and to all persons occupying the leased premises, which included the rest of the sub-lessees.⁶⁷

Thusly, the Final Award decreed the return to the BCDA of **the leased premises together with all new construction and permanent improvements introduced during the term of [l]ease**. Particularly, the Final Award mandated that “[t]he parties are hereby reverted as far as practicable to their original position prior to the execution of the [1996 Lease Agreement].”⁶⁸ To implement this, it was but just and proper for the trial court to order CJH DevCo to deliver the leased premises to the BCDA, along with the improvements, with no exceptions.

⁶⁵ *Rollo* (G.R. No. 219421), pp. 514–515; *rollo* (G.R. No. 241772), pp. 326–327.

⁶⁶ *Rollo* (G.R. No. 219421), p. 186; *rollo* (G.R. No. 241772), p. 399.

⁶⁷ *Rollo* (G.R. No. 219421), p. 784; *rollo* (G.R. No. 241772), p. 818.

⁶⁸ *Rollo* (G.R. No. 219421), p. 514; *rollo* (G.R. No. 241772), p. 326.

In the now-impugned Decision, however, the CA enjoined the RTC from enforcing the Writ of Possession and the Notice to Vacate against the sub-lessees. The appellate court **made a factual determination** that the sub-lessees were considered third parties who should have been given their day in court to defend their rights over the improvements they introduced on the leased property. The CA stated in part:

The Final Award did not make any categorical or unequivocal statement that the Final Award should be enforced against the third parties. It merely settled the dispute between CJH DevCo and [the] BCDA. It cannot be deemed to include even by implication, third parties who were not parties to the arbitration and over which the arbitral tribunal had no jurisdiction. In fact, the body of the award did not mention any of the third parties nor addressed the effect of rescission of the lease agreement with respect to the third parties. Hence, the arbitral award, as confirmed by the trial court, should only bind and settle the issues between the parties to the arbitration.⁶⁹

It even held that promissory estoppel would operate against the BCDA after it authorized CJH DevCo to sublet the leased property.⁷⁰ The CA decreed in this wise:

Records show that [the] BCDA is *not totally unaware* of the contracts entered into by [Cap-John Jay Trade and Cultural Center, Inc. (CAPTRADE)] and CJH Golf with CJH[]DevCo, which was pursuant to the [1996 Lease Agreement] between CJH[]DevCo and [the] BCDA. In fact, [the] BCDA expressly consented to CJH[]DevCo's act of contracting with third parties like CAPTRADE and CJH Golf, as long as the purpose is consistent with the ones specified in the [1996 Lease Agreement].⁷¹

The appellate court also directed the BCDA to respect the terms of and assume the obligations of CJH DevCo under the sub-lease contracts.⁷² The CA also ordered the BCDA to return the amount of rentals paid before it can compel CJH DevCo to vacate the leased property.⁷³

However, a cursory reading of the Final Award reveals that nowhere therein did the arbitral tribunal make CJH DevCo's obligation to vacate the leased property contingent upon the BCDA's full payment.⁷⁴ CJH DevCo should return to BCDA the leased property together with improvements. In turn, the BCDA should refund to CJH DevCo the rent already paid, amounting to PHP 1,421,096,052.00.

In sooth, these additional conditions violate Section 40 of Republic Act No. 9285 which states that "[a] domestic arbitral award when confirmed shall

⁶⁹ *Rollo* (G.R. No. 219421), p. 201; *rollo* (G.R. No. 241772), p. 414.

⁷⁰ *Rollo* (G.R. No. 219421), p. 229-231; *rollo* (G.R. No. 241772), pp. 442-444.

⁷¹ *Rollo* (G.R. No. 219421), p. 230; *rollo* (G.R. No. 241772), p. 443.

⁷² *Rollo* (G.R. No. 219421), p. 206; *rollo* (G.R. No. 241772), p. 419.

⁷³ *Rollo* (G.R. No. 219421), p. 210; *rollo* (G.R. No. 241772), p. 423.

⁷⁴ *Rollo* (G.R. No. 219421), p. 514-515; *rollo* (G.R. No. 241772), pp. 326-327.

9

be enforced in the same manner as final and executory decisions of the [RTC],” and Rule 11.9 of the Special ADR Rules, which provides that “[t]he court shall not disturb the arbitral tribunal’s determination of facts and/or interpretation of law.” In effect, the CA prohibited the RTC and the sheriffs from ejecting CJH DevCo from the leased property until the BCDA makes full payment of the amount of rentals paid by the former.⁷⁵

Upon this point, the CA explicated—

[P]ending the filing of the claim with the COA and pending payment thereof to CJH DevCo, the latter cannot be forced to vacate the leased property consistent with the principle of mutual restitution. Clearly, rescission under Art. 1191, which serves as the bedrock for the arbitral award, is predicated upon the reciprocity of the obligations of the parties. Reciprocal obligations are those which arise from the same cause, and in which each party is a debtor and a creditor of the other, such that the obligation of one is dependent upon the obligation of the other. They are to be performed simultaneously such that the performance of one is conditioned upon the simultaneous fulfillment of the other. Hence, **We cannot require CJH DevCo to vacate the leased property without any certainty as to when the amount of [PHP] 1,421,096,052.00 will be paid.**⁷⁶

So, too, the CA called on the BCDA “to ASSIST in the PROCESSING of the claim of Petitioner CJH DevCo filed with the Commission on Audit,”⁷⁷ and to arbitrate or litigate with CJH DevCo’s sub-lessees. In this regard, the CA enjoined the RTC and the sheriffs from “enforcing the Final Award dated February 11, 2015, Writ of Execution dated April 14, 2015, and Notice to Vacate dated April 20, 2015”⁷⁸ against the sub-lessees “until their respective rights and interests are determined upon compulsory arbitration or as may be adjudicated by the regular courts.”⁷⁹

Finally, the CA instructed the BCDA and respondents to submit themselves to arbitration pursuant to the provisions of the 1996 Lease Agreement, with the caveat that in the event of refusal of the parties to submit to arbitration, they may litigate their respective rights and obligations before the regular courts, ratiocinating thusly—

Given the transcendental importance, novelty, complexity, and the paramount importance of resolving this case considering that it involves the government and the number of occupants who are holders of valid and legally enforceable contract where there is a claim of ownership by Petitioner-Intervenors of the improvements, though at the same time admitting that they are lessees or sub-lessees of the land on which it stands this case is deemed to be a class of its own. The *sui generis* character of this case compels Us to call for a compulsory arbitration with all the parties

⁷⁵ *Rollo* (G.R. No. 219421), p. 238; *rollo* (G.R. No. 241772), p. 451.

⁷⁶ *Rollo* (G.R. No. 219421), p. 210; *rollo* (G.R. No. 241772), p. 423.

⁷⁷ *Rollo* (G.R. No. 219421), p. 239; *rollo* (G.R. No. 241772), p. 452.

⁷⁸ *Rollo* (G.R. No. 219421), p. 238; *rollo* (G.R. No. 241772), p. 451.

⁷⁹ *Id.*

striving to protect their respective interests and to come out with the best solution that they could come up with. In order to fully harness the potential of arbitration as a means of dispute resolution, We find compulsory arbitration to be necessary. We find the same fully consistent with the policy of the State embodied in Alternative Dispute Resolution Act of 2004[.]⁸⁰

In a nutshell, the CA modified the Final Award on several points. *First*, it made an exception to the obligations of CJH DevCo to vacate and deliver the leased property to the BCDA in favor of the former's sub-lessees. *Second*, it declared CJH DevCo's obligation to vacate the leased property contingent only upon the BCDA's full payment of the arbitral award. *Third*, it imposed additional obligations upon the BCDA, e.g., to respect and not disturb the various contracts of CJH DevCo with its sub-lessees, with whom the BCDA, as the original lessor, had no privity of contract, to assist in the processing of CJH DevCo's claim with the COA; and to arbitrate and/or litigate with CJH DevCo's sub-lessees to determine their respective rights and interests.

Quite palpably, none of the aforementioned conditions can be found in the Final Award.

In requiring the BCDA to fulfill the conditions outside of the Final Award, the CA made its own findings of fact and provided its own legal interpretation of the parties' obligations. *This is clearly beyond the appellate court's power.* The perceived paucity of the arbitral award is insufficient cause to modify or add to the award, given the State's policy of upholding the autonomy of arbitral awards.⁸¹

Upon this point, it bears stressing that no arbitration is a voluntary dispute resolution process "outside the regular court system," where parties agree to submit their conflict to their own choice of arbitrator or panel of arbitrators. Resorting to arbitration requires consent from the parties either through an arbitration clause in the contract or an agreement to submit their existing controversy to arbitration.⁸²

Republic Act No. 9285,⁸³ the Alternative Dispute Resolution (ADR) Act of 2004, institutionalized the use of an alternative dispute resolution system in the Philippines. Appositely, A.M. No. 07-11-08-SC⁸⁴ was created setting forth the Special Rules of Court on Alternative Dispute Resolution (Special ADR Rules) that shall govern the procedure to be followed by the

⁸⁰ Rollo (G.R. No. 219421), p. 219; rollo (G.R. No. 241772), p. 432.

⁸¹ See *Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*, 800 Phil. 721, 758 (2016) [Per J. Brion, Second Division].

⁸² See *Dr. Adapon v. Medical Doctors, Inc.*, G.R. No. 229956, June 14, 2021 [Per J. Leonen, Third Division].

⁸³ Alternative Dispute Resolution Act of 2004.

⁸⁴ (2009).

9

courts whenever judicial intervention is sought in ADR proceedings in the specific cases where it is allowed.⁸⁵

Section 2 of the same Act enunciates the policy of the State “to actively promote party autonomy in the resolution of disputes or the freedom of the parties to make their own arrangements to resolve their disputes.” This is fortified by Rule 2.1 of the Special ADR Rules which states that there should be “the greatest cooperation of and the least intervention from the courts.”⁸⁶

“The contractual nature of arbitral proceedings affords the parties substantial autonomy over the proceedings.”⁸⁷ Considering the autonomy of the parties and the policy favoring arbitration, the Special ADR Rules ordain judicial restraint in arbitration, wherein the Court shall intervene only in cases allowed by law and rules.⁸⁸ Rule 19.7 of the Special ADR Rules expressly prohibits the appeal of arbitral awards—

Rule 19.7. *No appeal or certiorari on the merits of an arbitral award.* – An agreement to refer a dispute to arbitration shall mean that the arbitral award shall be final and binding. Consequently, a party to an arbitration is precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award.

Rules 11.9 and 19.10, in particular, states the role of the courts in the enforcement and review of arbitral awards, *viz.*:

Rule 11.9. *Court Action.* – Unless a ground to vacate an arbitral award under Rule 11.5 above is fully established, *the court shall confirm the award.*

An arbitral award shall enjoy the presumption that it was made and released in due course of arbitration and is subject to confirmation by the court[.]

In resolving the petition or petition in opposition thereto in accordance with these Special ADR Rules, the court shall either confirm or vacate the arbitral award. *The court shall not disturb the arbitral tribunal’s determination of facts and/or interpretation of law.*

.....

Rule 19.10. *Rule on Judicial Review on Arbitration in the Philippines.* – As a general rule, the court can only vacate or set aside the decision of an arbitral tribunal upon a *clear showing* that the award suffers from any of the infirmities or grounds for vacating an arbitral award under Section 24 of Republic Act No. 876 or under Rule 34 of the Model Law in a domestic arbitration, or for setting aside an award in an international arbitration under

⁸⁵ *Department of Environment and Natural Resources (DENR) v. United Planters Consultants, Inc. (UPCI)*, 754 Phil. 513, 524 (2015) [Per J. Perlas-Bernabe, First Division].

⁸⁶ *Dr. Adapon v. Medical Doctors, Inc.*, G.R. No. 229956, June 14, 2021 [Per J. Leonen, Third Division].

⁸⁷ *Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*, 800 Phil. 721, 742 (2016) [Per J. Brion, Second Division].

⁸⁸ *Dr. Adapon v. Medical Doctors, Inc.*, G.R. No. 229956, June 14, 2021 [Per J. Leonen, Third Division].

9

Article 34 of the Model Law, or for such other grounds provided under these Special Rules.

.....

*The court shall not set aside or vacate the award of the arbitral tribunal merely on the ground that the arbitral tribunal committed errors of fact, or of law, or of fact and law, as the court cannot substitute its judgment for that of the arbitral tribunal.*⁸⁹

Clearly, judicial interference is restrained under the Special ADR Rules since, as a private alternative to court proceedings, *arbitration is meant to be an end, not the beginning, of litigation.*⁹⁰

The Court's review of a CA decision is discretionary and limited to specific grounds provided under the Special ADR Rules. Rule 19.36 thereof specifically provides:

Rule 19.36. *Review discretionary.* – A review by the Supreme Court is not a matter of right, but of sound judicial discretion, which will be granted *only for serious and compelling reasons* resulting in grave prejudice to the aggrieved party. The following, while neither controlling nor fully measuring the court's discretion, indicate the serious and compelling, and necessarily, restrictive nature of the grounds that will warrant the exercise of the Supreme Court's discretionary powers, when the [CA]:

- (1) *Failed to apply the applicable standard or test for judicial review prescribed in these Special ADR Rules in arriving at its discretion resulting in substantial prejudice to the aggrieved party;*
- (2) *Erred in upholding a final order or decision despite the lack of jurisdiction of the court that rendered such final order or decision;*
- (3) *Failed to apply any provision, principle, policy or rule contained in these Special ADR Rules resulting in substantial prejudice to the aggrieved party; and*
- (4) *Committed an error so egregious and harmful to a party as to amount to an undeniable excess of jurisdiction.*

The mere fact that the petitioner disagrees with the [CA]'s determination of questions of fact, of law or both questions of fact and law, shall not warrant the exercise of the Supreme Court's discretionary power. *The error imputed to the [CA] must be grounded upon any of the above prescribed grounds for review or be closely analogous thereto.*

⁸⁹ *Id.* (Emphasis supplied)

⁹⁰ *Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*, 800 Phil. 721, 742–743 (2016) [Per J. Brion, Second Division].

g

A mere general allegation that the [CA] has committed serious and substantial error or that it has acted with grave abuse of discretion resulting in substantial prejudice to the petitioner without indicating with specificity the nature of such error or abuse of discretion and the serious prejudice suffered by the petitioner on account thereof, shall constitute sufficient ground for the Supreme Court to dismiss outright the petition.⁹¹

The applicable standard or test of judicial review is found in Rule 11.4 of the Special ADR Rules, which essentially put together Sections 24 and 25 of Republic Act No. 876, the Arbitration Law, thusly:

(B) *To correct/modify an arbitral award.* – The Court may correct/modify or order the arbitral tribunal to correct/modify the arbitral award in the following cases:

- a. Where there was an evident miscalculation of figures or an evident mistake in the description of any person, thing or property referred to in the award;
- b. Where the arbitrators have awarded upon a matter not submitted to them, not affecting the merits of the decision upon the matter submitted;
- c. Where the arbitrators have omitted to resolve an issue submitted to them for resolution; or
- d. Where the award is imperfect in a matter of form not affecting the merits of the controversy, and if it had been a commissioner's report, the defect could have been amended or disregarded by the Court.⁹²

On this score, the Court's pronouncements in *Freuhauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*,⁹³ are instructive—

[T]he CA's substitution of its own judgment for the arbitral award cannot be more compelling than the overriding public policy to uphold the autonomy of arbitral awards. *Courts are precluded from disturbing an arbitral tribunal's factual findings and interpretations of law. The CA's ruling is an unjustified judicial intrusion in excess of its jurisdiction – a judicial overreach.*

Upholding the CA's ruling would weaken our alternative dispute resolution mechanisms by allowing the courts to “throw their weight around” whenever they disagree with the results. It *erodes* the obligatory force of arbitration agreements by allowing the losing parties to “forum shop” for a more favorable ruling from the judiciary.

Whether or not the arbitral tribunal correctly passed upon the issues is irrelevant. Regardless of the amount of the sum involved in a case, a simple error of law remains a simple error of law. *Courts are precluded*

⁹¹ *Dr. Adapon v. Medical Doctors, Inc.*, G.R. No. 229956, June 14, 2021 [Per J. Leonen, Third Division]. (Emphasis supplied)

⁹² *Id.*

⁹³ 800 Phil. 721 (2016) [Per J. Brion, Second Division].

9

*from revising the awards in a particular way, revisiting the tribunal's findings of fact or conclusions of law, or otherwise encroaching upon the independence of an arbitral tribunal.*⁹⁴

The Court in *Dr. Adapon v. Medical Doctors, Inc.*,⁹⁵ pronounced that—

As a rule, the arbitrator's award cannot be set aside for mere errors of judgment either as to the law or as to the facts. Courts are generally without power to amend or overrule merely because of disagreement with matters of law or facts determined by the arbitrators. They shall not review the findings of law and fact contained in an award, and will not undertake to substitute their judgment for that of the arbitrators. A contrary rule would make an arbitration award the commencement, not the end, of litigation. Errors of law and fact, or an erroneous decision on matters submitted to the judgment of the arbitrators, are insufficient to invalidate an award fairly and honestly made. judicial review of an arbitration award is, thus, more limited than judicial review of a trial.⁹⁶

All in all, the RTC committed no whimsicality and merely ordered the execution of what was stated in the arbitral award when it issued the Writ of Execution and Notice to Vacate. Perforce, the CA Decision modifying the Final Award is invalid.

“Indeed, judicial review should be confined strictly to the limited exceptions under arbitration laws for the arbitration process to be effective and the basic objectives of the law to be achieved.”⁹⁷ The parties submitted themselves to arbitration and bound themselves to its outcome. Without a showing that any of the grounds to modify the award exist or that the same amounts to a violation of an overriding public policy, the RTC was correct in confirming the Final Award. On the contrary, the CA failed to abide by the rules of arbitration when it rendered the repugned Decision.

The COA did not commit grave abuse of discretion in dismissing the money claims of CJH DevCo.

Anent the issue on the dismissal by the COA of the money claim filed CJH DevCo in G.R. No. 241772, the Court finds the same in order.

CJH DevCo asserts that the COA gravely abused its discretion in dismissing the petition for money claim considering that the rights and obligations between it and the BCDA with regard to the dispute over the leased property were already determined with finality in the February 11, 2015 Final Award, which was confirmed *in toto* by the RTC. Avowedly, what

⁹⁴ *Id.* at 759–760. (Emphasis supplied)

⁹⁵ G.R. No. 229956, June 14, 2021 [Per J. Leonen, Third Division], citing *National Power Corp. v. Hon. Alonzo-Legasto*, 485 Phil. 732–763 (2004) [Per J. Tinga, Second Division].

⁹⁶ *Id.*

⁹⁷ *Id.*

9

the COA should have done was to act upon CJH DevCo's petition despite the pendency of G.R. No. 219421.⁹⁸

The assertion fails to persuade.

No grave abuse of discretion may be attributed to the COA when it dismissed CJH DevCo's money claim pending resolution of the BCDA petition before the Court.

Section 26 of Presidential Decree No. 1445⁹⁹ provides:

Section 26. General Jurisdiction. The authority and powers of the [COA] shall extend to and comprehend all matters relating to ... the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies, and instrumentalities.

While it is true that the resolution of CJH DevCo's money claim was well within the primary jurisdiction of the COA despite finality of the confirmed arbitral award by the RTC pursuant to the Special ADR Rules,¹⁰⁰ it is also axiomatic that the COA's jurisdiction over final money judgments is necessarily limited. In *Taisei Shimizu Joint Venture v. Commission on Audit*,¹⁰¹ the Court expounded on the COA's limited jurisdiction, viz.:

III. The COA's audit review power over money claims already confirmed by final judgment of a court or other adjudicative body is necessarily limited.

A. Once a court or other adjudicative body validly acquires jurisdiction over a money claim against the government, it exercises and retains jurisdiction over the subject matter to the exclusion of all others, including the COA.

.....

B. The COA has no appellate review power over the decisions of any other court or tribunal.

.....

C. The COA is devoid of power to disregard the principle of immutability of final judgments.

.....

⁹⁸ *Rollo* (G.R. No. 241772), pp. 21–23.

⁹⁹ Presidential Decree No. 1445 (1978), Government Auditing Code of the Philippines (1978).

¹⁰⁰ *See Department of Environment and Natural Resources v. United Planners' Consultants, Inc.*, 754 Phil. 513, 534 (2015) [Per J. Perlas-Bernabe, First Division].

¹⁰¹ 873 Phil. 323 (2020) [Per J. Lazaro-Javier, *En Banc*].

d

D. The COA's exercise of discretion in approving or disapproving money claims that have been determined by final judgment is akin to the power of an execution court.¹⁰²

In G.R. No. 219421, the BCDA claims that the impugned Decision modified the Final Award when the CA held that the return of the leased property is contingent upon its payment of the rentals worth PHP 1,421,096,052.00, and that it was not allowed to take possession of the improvements which are occupied by respondents, even if under the Final Award, CJH DevCo was directed to vacate the premises and return all improvements to it.

Verily, the question to be resolved by the Court in the above case pivots on whether the CA, in its issuance of the writ of *certiorari*, modified the Final Award on its merits, which by law, is beyond the scope of judicial review of arbitral awards. As such, it was but proper for the COA to have dismissed the money claim since the issue of the execution of the Final Award, i.e., whether the payment of the BCDA was contingent upon the return of the entire leased property and the new improvements by CJH DevCo to it, remains under litigation and is therefore beyond the limited jurisdiction of the COA.

Thusly, the COA did not gravely abuse its discretion in declaring that the dismissal of the petition in G.R. No. 241772 was “without prejudice to its refiling upon final determination by the Supreme Court of the rights and obligations of the contracting parties.”¹⁰³

Grave abuse of discretion implies such capricious or mischievous exercise of judgment is equivalent to lack or excess of jurisdiction, that the exercise of power in an arbitrary manner owing to passion, prejudice, or personal hostility. Such abuse must be so patent or gross as to amount to an evasion of a positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law.¹⁰⁴

Finding none in this case, the Court is beholden to dismiss the Petition in G.R. No. 241772 for failure of CJH DevCo to show caprice and arbitrariness on the part of the COA. The Court highlights that the jurisdiction of the COA over final money judgments rendered by the courts pertains only to the execution stage. Its authority lies in ensuring that public funds are not diverted from their legally appropriated purpose to answer for such money judgments. This is rightly so since the COA is tasked to guarantee that the enforcement of these final money judgments be in accord with auditing laws which it ought to implement.¹⁰⁵

¹⁰² *Id.* at 346–347, 354. (Emphasis supplied)

¹⁰³ *Rollo* (G.R. No. 241772), p. 48.

¹⁰⁴ *See Abpi v. Commission on Audit*, 877 Phil. 362, 376 (2020) [Per J. Delos Santos, *En Banc*].

¹⁰⁵ *See Taisei Shimizu Joint Venture v. Commission on Audit*, 873 Phil. 323, 355 (2020) [Per J. Lazaro-Javier, *En Banc*].

A final cadence

Heedful to withhold scrutiny over the veracity and propriety of the Final Award, the Court has deliberately refrained from passing upon the merits of the arbitral award solely because to do so would be improper. None of the grounds to modify an arbitral award are present in this case. At the risk of being repetitive, it is established that the merits of the award are beyond the scope of review of the courts. There is no law granting the judiciary authority to review the merits of an arbitral award. Our hands are tied; if the Court were to insist on reviewing the correctness of the award (*or consent to the CA's doing so*), it would be tantamount to expanding our jurisdiction without the benefit of legislation. This translates to judicial legislation — a breach of the fundamental principle of separation of powers.¹⁰⁶

ACCORDINGLY, the Court rules as follows:

In **G.R. No. 219421**, the Petition for Review on *Certiorari* is **GRANTED**. The July 30, 2015 Decision of the Court of Appeals in CA-G.R. SP Nos. 140422 and 140490 is **REVERSED AND SET ASIDE**. The March 27, 2015 Order of Branch 6, Regional Trial Court of Baguio City in Civil Case No. 7561-R, confirming the Final Award dated February 11, 2015 in PDRCI Case No. 60-2012 is **REINSTATED**. The April 14, 2015 Writ of Execution and the *Ex-Officio* Sheriff's Notice to Vacate are likewise **REINSTATED**.

In **G.R. No. 241772**, the Petition for *Certiorari* is **DISMISSED**. The September 27, 2017 Decision No. 2017-312 of the Commission on Audit in COA CP Case No. 2015-610 is **AFFIRMED**.

SO ORDERED.



JAPAR B. DIMAAMPAO
Associate Justice


¹⁰⁶ See *Fruehauf Electronic Philippines Corp. v. Technology Electronics Assembly and Management Pacific Corp.*, 800 Phil. 721, 758 (2016) [Per J. Brion, Second Division].

WE CONCUR:


ALEXANDER G. GESMUNDO
Chief Justice

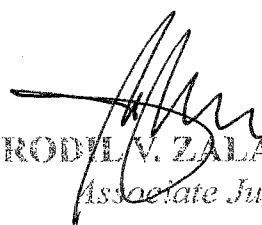

MARVIC M.V.F. LEONEN
Associate Justice

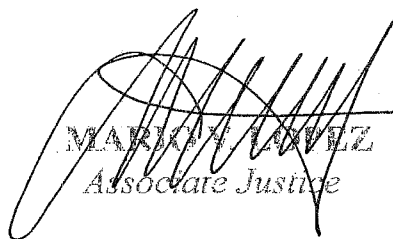

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

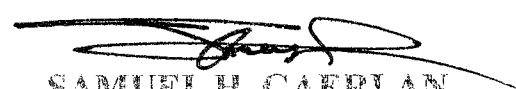

RAMON PAUL L. HERNANDO
Associate Justice


AMY C. LAZARO JAVIER
Associate Justice


HENRI JEAN PAUL B. INTING
Associate Justice


RODIL V. ZALAMEDA
Associate Justice


MARIJON LOPEZ
Associate Justice

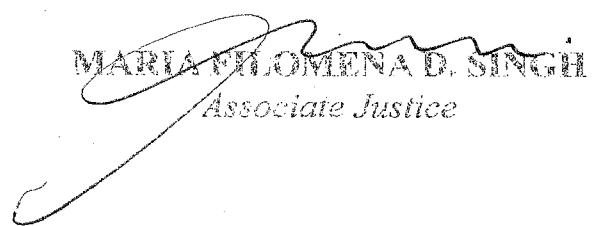

SAMUEL H. GAERLAN
Associate Justice


RICARDO R. ROSARIO
Associate Justice


JHOSEP LOPEZ
Associate Justice

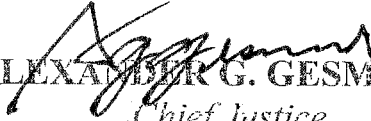

JOSE MIDAS P. MARQUEZ
Associate Justice


ANTONIO T. KIO, JR.
Associate Justice


MARIA FILOMENA D. SINGH
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of this Court.


ALEXANDER G. GESMUNDO
Chief Justice