

Facts:

Jun B. Luna hired Atty. Dwight M. Galarrita in 2002 for a foreclosure complaint against Jose Calvario over an unpaid loan secured by a real estate mortgage. A compromise agreement was entered by Atty. Galarrita without Luna's consent, resulting in a court-approved settlement in 2006 where Calvario would pay Luna P105,000.00. Galarrita did not inform Luna about the agreement nor did he turn over the P100,000.00 settlement proceeds he received.

Luna discovered the agreement and demanded the proceeds, to which Galarrita responded with excuses. In 2009, Calvario's heirs demanded the land title, confirming the settlement had occurred. Luna filed a disbarment complaint against Galarrita in 2010 with the Integrated Bar of the Philippines (IBP), which recommended Galarrita's suspension from the practice of law for one year, later modified to six months by the IBP Board of Governors.

Issues:

1. Whether Atty. Galarrita should be administratively liable for entering into a Compromise Agreement without Luna's consent.
2. Whether Atty. Galarrita's refusal to turn over the settlement proceeds constitutes a violation of the Code of Professional Responsibility.

Court's Decision:

The Supreme Court suspended Atty. Galarrita from the practice of law for two years for entering the compromise agreement without Luna's consent and refusing to turn over the settlement proceeds. The Court emphasized that lawyers must uphold integrity and honesty, especially in dealing with clients, and found Galarrita violated Rule 16.03 of the Code of Professional Responsibility by not delivering the funds and property of his client when due.

Doctrine:

The case reiterates the doctrine that lawyers are bound to conduct themselves with high standards of honesty, integrity, and fairness. Specifically, it underscores Rule 16.03 of the Code of Professional Responsibility, requiring lawyers to deliver funds and property of clients when due or upon demand.

Class Notes:

- Lawyers must secure a Special Power of Attorney when entering into any compromise agreement on behalf of their clients.

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- Unauthorized actions and failure to turn over client's funds or property can lead to suspension or disbarment.
  - Administrative proceedings focus on the fitness of a lawyer to continue as a member of the bar, with the possibility of ordering restitution as concomitant relief.

Historical Background:

This case illustrates the evolving standards and reinforcing measures undertaken by the Philippine legal system to safeguard the fiduciary relationship between lawyers and their clients, emphasizing accountability and the disciplinary measures available for breaches of professional conduct.