

****Title:**** Cadavedo Heirs vs. Lacaya: A Case of Attorney's Fees and Conjuality in Philippine Jurisprudence

****Facts:****

The case concerns property rights and attorney's fees arising from a series of legal contests over a homestead lot, known as Lot 5415, initially granted to the spouses Vicente Cadavedo and Benita Arcoy-Cadavedo. The lot was sold to the Ames couple, leading to an extended legal battle when the Ames failed to complete payment, prompting the Cadavedos to seek legal aid to void the sale. Attorney Victorino T. Lacaya represented the Cadavedos under a contingency fee arrangement, eventually claiming half of the property as his fee. This claim resulted from activities spanning over two decades, involving multiple civil cases, and culminating in a legal challenge against the attorney's claim to the property part. The procedural journey began with an action against the Ames in the RTC, an appeal to the CA, and subsequent legal fights including a foreclosure sale intervention, a quieting title action, and an injunction against the Development Bank of the Philippines (DBP). The Supreme Court was eventually tasked to resolve the dispute over attorney's fees and property rights.

****Issues:****

1. The validity of the oral agreement concerning attorney's fees granting half of the subject lot to Atty. Lacaya.
2. Whether the stipulated attorney's fees in the written agreement (P2,000.00) prevails over the alleged oral agreement.
3. The champertous nature of the fee agreement and its consequences on the attorney-client relationship.
4. The excessive and unconscionable nature of the attorney's fees claiming half of the subject lot.
5. The legal implications of the compromise agreement concerning the property's division.

****Court's Decision:****

1. ****Validity of Oral Agreement:**** The Court declared the oral agreement void, emphasizing that a written agreement specifying P2,000.00 as attorney's fees should prevail.
2. ****Primacy of Written Agreement:**** The Supreme Court upheld that the stipulated written agreement on attorney's fees is binding over any contrary oral agreements.
3. ****Champerty:**** The Court found the agreement champertous and contrary to public policy, designed to prevent lawyers from acquiring a vested interest in the litigation outcomes of their clients.
4. ****Fee Assessment:**** The demand for half of the lot as attorney's fees was deemed

excessive and unconscionable. Instead, a quantum meruit assessment was deemed more appropriate.

5. **Compromise Agreement:** The compromise agreement, which attempted to cement the oral fee agreement, was also deemed void as it contravened statutory prohibitions on lawyers acquiring litigation property interests.

Doctrine:

- **ChamPERTY in Attorney's Fees:** Agreements where lawyers receive a part of the subject matter of litigation as fees are void for being against public policy. Such arrangements compromise the lawyer's duty of fidelity to the client's cause.

- **Primacy of Written Over Oral Agreements on Fees:** Stipulated written agreements on attorney's fees within the pleadings are binding and prevail over any subsequent oral agreements to the contrary.

Class Notes:

- Contracts between attorneys and clients regarding compensation must be scrutinized for champerty; only reasonable and conscionable arrangements are permitted.

- Written agreements, especially stipulated within pleadings, hold sway in determining attorney-client compensation arrangements.

- Article 1491 (5) of the Civil Code prohibits lawyers from acquiring by purchase or assignment properties which are the subject of litigation on which they act, reflecting the ethical duty of undivided loyalty to the client.

Historical Background:

The case exemplifies the complex interplay between property rights, ethical legal practice, and the judicial safeguards against conflict of interests in attorney-client relationships. The evolution within Filipino jurisprudence towards emphasizing written contracts over oral arrangements, particularly in professional settings, underscores the importance of transparency and accountability in legal representations. The decision reiterates the judiciary's role in upholding ethical standards in legal practice, ensuring that agreements between attorneys and their clients are fair, reasonable, and in the best interest of justice.