

Title:

****Basilio Borja, Sr. vs. Sulyap, Inc. and the Court of Appeals**** (G.R. No. 62237)

Facts:

1. ****Lease Contract****:

- Petitioner Basilio Borja, Sr. (lessor) and private respondent Sulyap Inc. (lessee) entered into a lease for an office building in New Manila, Quezon City.
- Sulyap Inc. paid advance rentals, association dues, and deposited amounts for utilities and telephone expenses.

2. ****End of Lease and Demand****:

- Upon lease expiration, Sulyap Inc. demanded a refund of these amounts, but Borja did not comply.

3. ****Complaint Filed****:

- On October 5, 1995, Sulyap Inc. filed a complaint for the sum of money in the Regional Trial Court (RTC) of Quezon City, Branch 80.

4. ****Compromise Agreement****:

- On October 16, 1995, both parties submitted a Compromise Agreement to the RTC.
- The RTC approved this agreement on October 24, 1995, leading to a judgment rendering it enforceable.

5. ****Default in Payment****:

- Borja failed to pay P30,575.00 and P50,000.00 as stated in the compromise agreement.
- Sulyap Inc. filed a motion for a writ of execution to collect the amounts, including 2% interest and 25% attorney's fees, which the RTC granted.

6. ****Motion and Appeal****:

- Borja filed motions to quash the writ of execution, arguing that the penalties were due to Sulyap Inc.'s fault.
- He later claimed fraud, asserting that the 2% interest and 25% attorney's fees clause were not in the original agreement he signed.
- The RTC denied Borja's motions, reinforcing the credibility of Atty. Leonardo Cruz, who confirmed Borja's consent to the penalty clause.
- Borja appealed to the Court of Appeals, which affirmed the RTC's decision.

7. ****Supreme Court Petition****:

- Borja filed a petition for review with the Supreme Court.

Issues:

1. **Fraud and Vitiating Consent**:

- Was there fraud in the execution of the compromise agreement, particularly the inclusion of the penalty clause (2% interest per month and 25% attorney's fees)?

2. **Validity of Penalty Clause**:

- Should the penalty clause be considered valid, and is Borja bound by it?

3. **Private Practice of Law**:

- Did Atty. Leonardo Cruz engage in prohibited private practice of law by assisting Borja?

Court's Decision:

1. **Fraud and Vitiating Consent**:

- The Supreme Court found no fraud in the execution of the compromise agreement.

- The testimony of Atty. Leonardo Cruz was deemed credible; Borja consented to the less burdensome penalty clause instead of a more severe alternative.

- The Court noted that Borja did not contest the penalty clause for over a year despite multiple opportunities, indicating acceptance.

2. **Validity of Penalty Clause**:

- The Court determined that the penalty clause remained valid.

- Borja's arguments and conduct after the judgment implied ratification of the clause.

- Even if there were claims of overstepping by Atty. Cruz, Borja's failure to promptly contest ratified the clause, making it enforceable.

3. **Private Practice of Law**:

- The Court rejected the notion that Atty. Leonardo Cruz engaged in private practice, noting that assisting in a single agreement did not constitute habitual law practice prohibited for public officials.

Doctrine:

- **Compromise Agreements**:

- Judicial compromises, if consented to without fraud, are binding and enforceable.

- Penalty clauses that are agreed upon are enforceable unless proven to be fraudulently included.

- **Ratification**:

- Failure to contest an agreement or clause within a reasonable time frame can lead to ratification, binding the party to the terms.

- **Private Practice of Law**:

- Single instances of legal assistance by a public official do not necessarily mean prohibited private practice.

Class Notes:

- **Elements of Ratification**:

1. Awareness of the terms.
2. Failure to promptly contest.
3. Conduct implying acceptance.

- **Doctrinal Application**:

- Article 2038 and Article 1330 of the Civil Code:
- Mistake, fraud, violence, intimidation, or undue influence can void a contract.
- Ratification can legitimize initially contentious clauses if uncontested in time.

- **Private Practice Context**:

- Defined as habitual or customary offering of legal services, not isolated incidents.

Historical Background:

- This case reflects the rigorous judicial examination of compromise agreements to ensure fair dealing, the importance of timely contestation in contractual disputes, and the boundaries of permissible legal assistance by public officials. It illustrates the Philippine judiciary's commitment to uphold contractual obligations and safeguard judicial integrity against fraudulent claims.