

Title

****Teodoro I. Chavez vs. Hon. Court of Appeals and Jacinto S. Trillana, G.R. No. 162273****

Facts

1. ****Lease Agreement Execution (October 1994)**:**

- Teodoro Chavez (petitioner) leased a fishpond in Sitio Pariahan, Taliptip, Bulacan to Jacinto Trillana (respondent) for six years.
- The total rent was PHP 2,240,000, payable in installments.

2. ****Typhoon Damage (August 1996)**:**

- A powerful typhoon damaged the fishpond. Respondent delayed repairs due to high water levels.
- Petitioner undertook unauthorized repairs, leading to a dispute.

3. ****Barangay Conciliation (September 1996)**:**

- Respondent filed a complaint. Conciliation resulted in an amicable settlement:
- Petitioner agreed to return PHP 150,000 to respondent (or PHP 100,000 by a set date).

4. ****Filing of Complaint (February 7, 1997)**:**

- Alleging non-compliance with the lease contract and amicable settlement, respondent filed a complaint in RTC Valenzuela City (Civil Case No. 5139-V-97) seeking various damages.

5. ****RTC Proceedings (October 21, 1997)**:**

- Petitioner failed to attend pretrial, leading to an ex-parte presentation of respondent's evidence.

6. ****RTC Decision (December 15, 1997)**:**

- RTC ordered petitioner to pay various amounts to respondent, including advance rentals, unrealized profits, moral and exemplary damages, and attorney's fees.

7. ****Court of Appeals (April 2, 2003)**:**

- CA modified the RTC decision, deleting the award for unrealized profits and reducing attorney's fees. Petitioner's motion for reconsideration was denied.

8. ****Petition for Review**:**

- Petitioner challenged CA rulings, arguing RTC had no jurisdiction and disputing the awarded amounts.

Issues

1. **Jurisdiction Issue**:

- Whether RTC Valenzuela City had jurisdiction given the amicable settlement at the Barangay level.

2. **Legal Basis for Awards**:

- Whether there was factual or legal basis for reimbursement of advance rentals, moral and exemplary damages, and attorney's fees.

Court's Decision

1. **Jurisdiction**:

- RTC had jurisdiction. Under Article 2041 of the Civil Code, an aggrieved party could regard the compromise as rescinded and pursue the original demand.

- Respondent validly filed the lawsuit in RTC, choosing to regard the compromise as rescinded after petitioner's non-compliance.

2. **Reimbursement of Advance Rentals**:

- Deleted for lack of evidence. The lease contract didn't show advance rental payment of PHP 300,000, and no proof was presented.

3. **Moral Damages**:

- Affirmed. Petitioner acted in bad faith by unauthorized repairs and ousting respondent's personnel. Such actions justified moral damages.

4. **Exemplary Damages**:

- Affirmed. Petitioner's repeated non-compliance with contractual obligations warranted exemplary damages.

5. **Attorney's Fees**:

- Reduced. While respondent's litigation expenses justified attorney's fees, the CA rightly reduced the RTC's award to PHP 50,000.

Doctrine

1. **Rescission of Compromise** (Article 2041, Civil Code):

- On breach of a compromise, the aggrieved party may either enforce it or regard it as rescinded and insist on their original demand.

2. **Barangay Amicable Settlement Compliance**:

- While an amicable settlement has the force and effect of a final judgment, the option to

rescind under Article 2041 is available if the settlement is breached.

Class Notes

- **Civil Code, Article 2041**: Right to rescind a compromise agreement if breached.
- **Civil Code, Article 2220**: Moral damages in breaches of contract involving fraud or bad faith.
- **Revised Katarungang Pambarangay Law**: Procedures for enforcing amicable settlements.
- **Evidence**: Actual damages must be proven with certainty; self-serving testimonies are insufficient.

Historical Background

This case highlights the dynamics under the Katarungang Pambarangay Law regarding the enforcement of amicable settlements and their intersection with broader contractual principles in the Civil Code. The decision also underscores the courts' approach to breaches of compromises and the evidentiary standards required for claims of damages, particularly in contractual disputes.