

Facts:

1. In early 1990, Bobie Rose Frias engaged Atty. Carmencita Bautista Lozada as her retained counsel and legal adviser.
2. In November 1990, Frias entrusted Lozada with property titles and other documents.
3. In December 1990, Lozada convinced Frias to sell her property at Ayala Alabang Village and arranged a meeting with a prospective buyer, Dra. Flora San Diego.
4. On December 7, 1990, at a hastily arranged meeting in Valenzuela, Frias signed a Memorandum of Agreement (MOA) without reading its contents. The MOA stated a P3M cash down payment.
5. At Security Bank, San Diego gave P2M in cash and a P1M check (dishonored later due to staleness) instead of P3M in cash.
6. Lozada took P1M as her commission without Frias' consent, promising to sign a promissory note later.
7. Dra. San Diego later backed out from the transaction, converting the payment into a mortgage loan under the MOA terms.
8. Frias attempted to retrieve her documents from Lozada, who avoided her until May 6, 1991. Frias alleged the documents were stolen from her car the same day.
9. Frias reported the theft to the police and presented an affidavit of loss, prepared by Lozada, to the RTC of Makati for a duplicate title issuance.
10. San Diego filed perjury and money return cases against Frias, using the allegation that the property title was never lost.
11. Frias claimed these legal actions were to force her to relinquish property claims and the P1M commission. She filed a civil case against Lozada, which Frias won; the decision was upheld by the Court of Appeals.

Procedural Posture:

- Frias filed a civil case for recovery of money, winning at the RTC, with the decision affirmed by the Court of Appeals, albeit reducing the award to P900,000.
- Lozada contested the disbarment complaint, denying critical allegations and putting forth a counter-narrative, including an acknowledgment of receiving P900,000 from Frias.
- IBP Investigating Commissioner found Lozada guilty of dishonesty, proposing a six-month suspension.
- Supreme Court reviewed the IBP findings and re-evaluated the case.

Issues:

1. Whether Atty. Lozada committed misconduct by representing conflicting interests of Frias and San Diego without consent.
2. Whether Lozada failed to maintain ethical standards by borrowing money from a client.
3. Whether Lozada willfully disobeyed the appellate court's order to return P900,000 to Frias.

Court's Decision:

1. Conflict of Interest: The Court found Lozada guilty of unethical conduct for representing conflicting interests without proper consent. Her involvement in the transaction was deemed inappropriate as it compromised her duty to both clients.
2. Borrowing from Client: Lozada violated Canon 16.04 of the Code of Professional Responsibility by accepting a loan from Frias, putting her client's interests at risk.
3. Noncompliance with Court Order: Lozada's refusal to repay the P900,000 constituted willful disobedience of a lawful court order. The Court emphasized that Lozada's obligation to Frias remained separate from any settlement with San Diego.

Doctrine:

- Canon 15.03 prohibits lawyers from representing conflicting interests without express, informed consent.
- Canon 16.04 restricts lawyers from borrowing money from clients except under specific conditions protecting client interests.
- Violating these canons and resisting final court orders can result in professional disciplinary actions.

Class Notes:

- Conflict of interest requires complete client consent after full disclosure; absence of this can lead to severe sanctions.
- Client-loan transactions must be handled cautiously, ensuring client's protection through independent advice.
- Compliance with court orders is mandatory; failure to do so may result in sanctions.

Historical Background:

This case arises from the unique dynamics of legal ethics in the Philippines, where attorneys are expected to hold a fiduciary responsibility towards clients. The case illustrates breaches in professional conduct, focusing on conflicts of interest, the duty to avoid exploiting client trust, and upholding judicial compliance. The decision underscores reinforcing ethical standards within the legal profession, ensuring public trust and preserving the integrity of

legal practice.