

MAURO P. MANANQUIL, COMPLAINANT, VS. ATTY. CRISOSTOMO C. VILLEGAS, RESPONDENT.

Adm. Case No. 2430. August 30, 1990

Ponente: CORTES, J.

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CORTES, J.:

In a verified complaint for disbarment dated July 5, 1982, Mauro P. Mananquil charged respondent Atty. Crisostomo C. Villegas with gross misconduct or malpractice committed while acting as counsel of record of one Felix Leong in the latter's capacity as administrator of the Testate Estate of the late Felomina Zerna in Special Proceedings No. 460 before then Court of First Instance of Negros Occidental. The complainant was appointed special administrator after Felix Leong died.

In compliance with a resolution of this Court, respondent filed his comment to the complaint on January 20, 1983. After complainant filed his reply, the Court resolved to refer the case to the Solicitor General for investigation, report and recommendation.

In a hearing conducted on May 15, 1985 by the investigating officer assigned to the case, counsel for the complainant proposed that the case be considered on the basis of position papers and memoranda to be submitted by the parties. Respondent agreed. Thus, the investigating officer required the parties to submit their respective position papers and memoranda, with the understanding that with or without the memoranda, the case will be deemed submitted for resolution after the expiration of 30 days. In compliance, both parties submitted their respective position papers; but no memorandum was filed by either party. Thereafter, the case was deemed submitted.

In the pleadings submitted before the Court and the Office of the Solicitor General, complainant alleges that over a period of 20 years, respondent allowed lease contracts to be executed between his client Felix Leong and a partnership HIJOS DE JOSE VILLEGAS, of which respondent is one of the partners, covering several parcels of land of the estate, i.e. Lots Nos. 1124, 1228, 2221, 2402, 3939, 3942 and 3957 of the Tanjay Cadastre, under iniquitous terms and conditions. Moreover, complainant charges that these contracts were made without the approval of the probate court and in violation of Articles 1491 and 1646 of the new Civil Code.

On the basis of the pleadings submitted by the parties, and other pertinent records of the investigation, the Solicitor General submitted his report dated February 21, 1990, finding that respondent committed a breach in the performance of his duties as counsel of administrator Felix Leong when he allowed the renewal of contracts of lease for properties involved in the testate proceedings to be undertaken in favor of HIJOS DE JOSE VILLEGAS without notifying and securing the approval of the probate court. However, the Solicitor General opined that there was no sufficient evidence to warrant a finding that respondent had allowed the properties to be leased in favor of his family partnership at a very low rental or in violation of Articles 1491 and 1646 of the new Civil Code. Thus, the Solicitor General recommended that respondent be suspended from the practice of law for a period of THREE (3) months with a warning that future misconduct on respondent's part will be more severely dealt with [Report

and Recommendation of the Solicitor General, pp. 1-10; Rollo, pp. 37-46. Also, Complaint of the Solicitor General, pp. 1-3; Rollo, pp. 47-49.]

As gleaned from the record of the case and the report and recommendation of the Solicitor General, the following facts are uncontroverted:

That as early as March 21, 1961, respondent was retained as counsel of record for Felix Leong, one of the heirs of the late Felomina Zerna, who was appointed as administrator of the Testate Estate of the Felomina Zerna in Special Proceedings No. 460 on May 22, 1961;

That, a lease contract dated August 13, 1963 was executed between Felix Leong and the “Heirs of Jose Villegas” represented by respondent’s brother-in-law Marcelo Pastrano involving, among others, sugar lands of the estate designated as Lot Nos. 1124, 1228, 2221, 2402, 3939, 3942 and 3957 of the Tanjay Cadastre;

That Felix Leong was designated therein as administrator and “owner, by testamentary disposition, of 5/6 of all said parcels of land”;

That, the lifetime of the lease contract was FOUR (4) sugar crop years, with a yearly rental of TEN PERCENT (10%) of the value of the sugar produced from the leased parcels of land;

That, on April 20, 1965, the formal partnership of HIJOS DE JOSE VILLEGAS was formed amongst the heirs of Jose Villegas, of which respondent was a member;

That, on October 18, 1965, another lease contract was executed between Felix Leong and the partnership HIJOS DE JOSE VILLEGAS, containing basically the same terms and conditions as the first contract, with Marcelo Pastrano signing once again as representative of the lessee;

That, on March 14, 1968, after the demise of Marcelo Pastrano, respondent was appointed manager of HIJOS DE JOSE VILLEGAS by the majority of partners;

That, renewals of the lease contract were executed between Felix Leong and HIJOS DE JOSE VILLEGAS on January 13, 1975 and on December 4, 1978, with respondent signing therein as representative of the lessee; and,

That, in the later part of 1980, respondent was replaced by his nephew Geronimo H. Villegas as manager of the family partnership.

Under the above circumstances, the Court finds absolutely no merit to complainant’s charge, and the Solicitor General’s finding, that respondent committed acts of misconduct in failing to secure the approval of the court in Special Proceedings No. 460 to the various lease contracts executed between Felix Leong and respondent’s family partnership.

Pursuant to Section 3 of Rule 84 of the Revised Rules of Court, a judicial executor or administrator has the right to the possession and management of the real as well as the personal estate of the deceased so long as it is necessary for the payment of the debts and the expenses of administration. He may, therefore, exercise acts of administration without special authority from the court having jurisdiction of the estate. For instance, it has long been settled that an administrator has the power to enter into lease contracts involving the properties of the estate even without prior judicial authority and approval [See *Ferraris v. Rodas*, 65 Phil. 732 (1938); *Jocson de Hilado v. Nava*, 69 Phil. 1 (1939); *San Diego, Sr. v. Hombre*, G.R. No. L-19265, May 29, 1964, 11 SCRA 165.]

Thus, considering that administrator Felix Leong was not required under the law and prevailing jurisprudence to seek prior authority from the probate court in order to validly lease real properties of the estate, respondent, as counsel of Felix Leong, cannot be taken to task for failing to notify the probate court of the various lease contracts

involved herein and to secure its judicial approval thereto.

Nevertheless, contrary to the opinion of the Solicitor General, the Court finds sufficient evidence to hold respondent subject to disciplinary sanction for having, as counsel of record for the administrator in Special Proceedings No. 460, participated in the execution in 1975 and 1978 of renewals of the lease agreement involving properties of the estate in favor of the partnership HIJOS DE JOSE VILLEGAS, of which respondent is a member and in 1968 was appointed managing partner.

By virtue of Article 1646 of the new Civil Code, the persons referred to in Article 1491 are prohibited from leasing, either in person or through the mediation of another, the properties or things mentioned in that article, to wit:

* * *

- (1) The guardian, the property of the person or persons who may be under his guardianship;
- (2) Agents, the property whose administration or sale may have been intrusted to them, unless the consent of the principal have been given;
- (3) Executors and administrators, the property of the estate under administration;
- (4) Public officers and employees, the property of the State or of any subdivision thereof, or of any government owned or controlled corporation, or institution, the administration of which has been intrusted to them; this provision shall apply to judges and government experts who, in any manner whatsoever, take part in the sale;
- (5) Justices, judges, prosecuting attorneys, clerks of superior and inferior courts, and other officers and employees connected with the administration of justice, the property or rights in litigation or levied upon on execution before the court within whose jurisdiction or territory they exercise their respective functions; this prohibition includes the act of acquiring by assignment and shall apply to lawyers, with respect to the property and rights which may be the object of any litigation in which they may take part by virtue of their profession.
- (6) Any others specially disqualified by law

* * *

[Article 1491 of the new Civil Code; Underscoring supplied.]

The above disqualification imposed on public and judicial officers and lawyers is grounded on public policy considerations which disallow the transactions entered into by them, whether directly or indirectly, in view of the fiduciary relationship involved, or the peculiar control exercised by these individuals over the properties or rights covered [See *Rubias v. Batiller*, G.R. No. L-35702, May 29, 1973, 51 SCRA 120; *Maharlika Publishing Corporation v. Tagle*, G.R. No. 65594, July 9, 1986, 142 SCRA 553; *Fornilda v. The Branch 164*, RTC Fourth Judicial Region, Pasig, G.R. No. 72306, October 5, 1988, 166 SCRA 281 and January 24, 1989, 169 SCRA 351.]

Thus, even if the parties designated as lessees in the assailed lease contracts were the “Heirs of Jose Villegas” and the partnership HIJOS DE JOSE VILLEGAS, and respondent signed merely as an agent of the latter, the Court rules that the lease contracts are covered by the prohibition against any acquisition or lease by a lawyer of properties involved in litigation in which he takes part. To rule otherwise would be to lend a stamp of judicial approval on an arrangement which, in effect, circumvents that which is directly prohibited by law. For, piercing through the legal fiction of separate juridical personality, the Court cannot ignore the obvious implication that respondent as one of the heirs of Jose Villegas and partner, later manager of, in HIJOS DE JOSE VILLEGAS stands to benefit from the contractual relationship created between his client Felix Leong and his family partnership over properties involved in the ongoing testate proceedings.

In his defense, respondent claims that he was neither aware of, nor participated in, the execution of the original lease contract entered into between his client and his family partnership, which was then represented by his brother-in-law Marcelo Pastrano. And although he admits that he participated in the execution of subsequent renewals of the lease contract as managing partner of HIJOS DE JOSE VILLEGAS, he argues that he acted in good faith considering that the heirs of Filemona Zerna consented or acquiesced to the terms and conditions stipulated in the original lease contract. He further contends that pursuant to the ruling of the Court in *Tuason v. Tuason* [88 Phil. 428 (1951)] the renewal contracts do not fall within the prohibition of Articles 1491 and 1646 since he signed the same as a mere agent of the partnership.

Respondent's contentions do not provide sufficient basis to escape disciplinary action from this Court.

It taxes this Court's imagination that respondent disclaims any knowledge in the execution of the original lease contract between his client and his family partnership represented by his brother-in-law. Be that as it may, it cannot be denied that respondent himself had knowledge of and allowed the subsequent renewals of the lease contract. In fact, he actively participated in the lease contracts dated January 13, 1975 and December 4, 1978 by signing on behalf of the lessee HIJOS DE JOSE VILLEGAS.

Moreover, the claim that the heirs of Filomena Zerna have acquiesced and consented to the assailed lease contracts does not militate against respondent's liability under the rules of professional ethics. The prohibition referred to in Articles 1491 and 1646 of the new Civil Code, as far as lawyers are concerned, is intended to curtail any undue influence of the lawyer upon his client on account of his fiduciary and confidential association [*Sotto v. Samson*, G.R. No. L-16917, July 31, 1962, 5 SCRA 733.] Thus, the law makes the prohibition absolute and permanent [*Rubias v. Batiller*, *supra*.] And in view of Canon 1 of the new Code of Professional Responsibility and Sections 3 & 27 of Rule 138 of the Revised Rules of Court, whereby lawyers are duty-bound to obey and uphold the laws of the land, participation in the execution of the prohibited contracts such as those referred to in Articles 1491 and 1646 of the new Civil Code has been held to constitute breach of professional ethics on the part of the lawyer for which disciplinary action may be brought against him [See *Bautista v. Gonzalez*, Adm. Matter No. 1625, February 12, 1990.] Accordingly, the Court must reiterate the rule that the claim of good faith is no defense to a lawyer who has failed to adhere faithfully to the legal disqualifications imposed upon him, designed to protect the interests of his client [See *In re Ruste*, 70 Phil. 243 (1940); Also, *Severino v. Severino*, 44 Phil. 343 (1923).]

Neither is there merit in respondent's reliance on the case of *Tuason v. Tuason* [*supra*.] It cannot be inferred from the statements made by the Court in that case that contracts of sale or lease where the vendee or lessee is a partnership, of which a lawyer is a member, over a property involved in a litigation in which he takes part by virtue of his profession, are not covered by the prohibition under Articles 1491 and 1646.

However, the Court sustains the Solicitor General's holding that there is no sufficient evidence on record to warrant a finding that respondent allowed the properties of the estate of Filomena Zerna involved herein to be leased to his family partnership at very low rental payments. At any rate, it is a matter for the court presiding over Special Proceedings No. 460 to determine whether or not the agreed rental payments made by respondent's family partnership is reasonable compensation for the use and occupancy of the estate properties.

Considering thus the nature of the acts of misconduct committed by respondent, and the facts and circumstances of the case, the Court finds sufficient grounds to suspend respondent from the practice of law for a period of three (3) months.

WHEREFORE, finding that respondent Atty. Crisostomo C. Villegas committed acts of gross misconduct, the Court Resolved to SUSPEND respondent from the practice of law for four (4) months effective from the date of his receipt of this Resolution, with a warning that future misconduct on respondent's part will be more severely

dealt with. Let copies of this Resolution be circulated to all courts of the country for their information and guidance, and spread in the personal record of Atty. Villegas.

SO ORDERED.

Fernan, C.J., Gutierrez, Jr., Feliciano, and Bidin, JJ., concur.

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