AGOO RICE MILL CORPORATION, REPRESENTED BY ITS PRESIDENT, JACQUELINE Y. CHAN, PLAINTIFF-APPELLANT, VS. RIZALINA BENEMERITO, DEFENDANT-APPELLEE.

Ponente: ELBINIAS, J.

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ELBINIAS, J.:

Subject of this Appeal,[1] which was filed under Rule 41 of the Rules of Court, is the Decision[2] dated August 31, 2010 of the Regional Trial Court, Branch 31 (RTC) of Agoo, La Union in Civil Case No. A-2662 for "Collection of Sum of Money."[3]

The pertinent facts are as follows:

Plaintiff-appellant Agoo Rice Mill Corporation ("plaintiff-appellant Agoo" for brevity) was the owner and operator of a rice mill and the owner of rice milling machineries, all of which were located at Brgy. Sta. Ana, Agoo, La Union, and which were properties subject of the case ("subject properties" for brevity).[4]

On March 1995, plaintiff-appellant Agoo obtained a loan amounting to Php 18,000,000.00 from Land Bank of the Philippines ("LBP" for brevity). As security for such loan, plaintiff-appellant Agoo, through its President John Kam Biak Chan, Jr., executed a "Real and Chattel Mortgage"[5] ("REM" for brevity) over the subject properties in favor of LBP.

Plaintiff-appellant Agoo obtained other loans from LBP in the amounts of Php 12,000,000.00, Php 12,000,000.00, and Php 3,000,000.00 on March 9, 1995,[6] October 31, 1995[7], and October 10, 1996,[8] respectively. These loans, which were secured by the REM[9] over subject properties, were evidenced by Promissory Notes[10] signed by John Kam Biak Chan, Jr. and Tita Yabut as Board of Directors of plaintiff-appellant Agoo.

On July 8, 1998, LBP initiated Extrajudicial Foreclosure Proceedings against the subject properties due to plaintiff-appellant Agoo's failure to settle its loan obligations with the LBP.[11] In the foreclosure proceedings, LBP was declared the winner, being the lone bidder of the subject properties. For this reason, LBP was issued a "Certificate of Sale of Real Property"[12] and a "Certificate of Sale of Personal Property."[13]

On March 1, 2001, a "Memorandum of Agreement"[14] was entered into by plaintiff-appellant Agoo and defendant-appellee Rizalina Benemerito ("defendant-appellee Benemerito" for brevity) for the latter's lease of the subject properties.

From 2005 to 2007, plaintiff-appellant Agoo entered into several contracts of lease with Fieldman Agricultural Trading Corporation, Northern Real Estate Developers Corporation,[15] and Fatco Warehouses Leasing,[16] with which defendant-appellee Benemerito likewise entered into several contracts of sub-lease.[17]

Eventually, on April 16, 2007, Transfer Certificate of Titles (TCT) Nos. T-8831 and T-8832 covering the subject properties were issued by the Register of Deeds of the Province of La Union in favor of LBP.

On March 11, 2009, LBP and defendant-appellee Benemerito entered into a "Contract of Lease"[18] for the

latter's use of the subject properties starting from February 1, 2009 to January 31, 2011, renewable at the option of LBP.[19] From such time, defendant-appellee Benemerito made payments for the lease of subject properties to LBP.

Meanwhile, plaintiff-appellant Agoo billed defendant-appellee Benemerito's use of the subject properties from March 2009 up to April 2010.[20]

Despite demand[21] made by plaintiff-appellant Agoo for defendant-appellee Benemerito to pay the total amount of Six Hundred Eighty Four Thousand Nine Hundred Eighty-One Pesos and Twenty Five Centavos (Php684,981.25) supposedly representing the rentals from March 2009 to April 2010, defendant-appellee Benemerito refused to pay.

Thus, on March 8, 2010, plaintiff-appellant Agoo filed before the RTC, a Complaint[22] for "Collection of Sum of Money" against defendant-appellee Benemerito. Plaintiff-appellant Agoo had alleged that, among others:

> "19. The continued refusal of the defendant to pay the milling rate and other expenses will greatly prejudice the rights of herein plaintiff.
>
> 20. If defendant will not pay the milling fee and other expenses, plaintiff will be deprived of what rightfully belongs to him.
>
> 21. Defendant should therefore be ordered to pay the amount of Six Hundred Eighty Four Thousand Nine Hundred Eighty One Pesos and 25/100 (P684,981.25), plus legal interest, representing the milling fee and other expenses for the use of the rice milling machineries.
>
> 22. Demands were made for the defendant to pay the said milling fees and other expenses but defendant, without justifiable reason and in bad faith, refused and still refuses to pay the same.
>
> xxx
>
> 24. By way of example of common good, defendant must likewise be held liable to the plaintiff for exemplary damages in the amount of at least One Hundred Thousand Pesos (P100,000.00) so that her acts will not be emulated by others by acting in bad faith when defendant, without just and valid reason, refused and continues to refuse to pay the said milling fees and other expenses despite demand.
>
> xxx
>
> 26. Due to the unlawful acts of the defendant and to protect its rights and interests, plaintiff was constrained to engage the services of a counsel for which it obligated itself to pay the amount of Fifty Thousand Pesos (P50,000.00) for and by way of Attorney's Fees and to pay the costs of the suit."[23] (Emphasis supplied)

Defendant-appellee Benemerito filed her "Answer with Compulsory Counterclaim"[24] alleging that, among others:

> "24. That the plaintiff has no cause of action;
>
> 25. That the rice milling machineries in the warehouse which defendant is using in the conduct of her business are owned by the defendant herself, the installation of which is with the knowledge and consent of the plaintiffs and the Land Bank of the Philippines and under such circumstances, defendant has the absolute right to use and possess;
>
> 26. That the plaintiff are (sic) not in prior, actual and physical possession except prior to the Memorandum of Agreement entered into with defendant in 2001, upon which time, defendant initially take (sic) legal possession and thereafter, up to the present, either as lessee of the plaintiffs and/or Land Bank of the Philippines;

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> 27. Because of the baseless, malicious and unfounded Complaint, Defendant is forced to hire the services of Counsel for fee of Php.50,000.00 plus Php.1,500.00 per hearing in order to defend herself;
>
> 28. Because of this malicious, baseless and unfounded Complaint, the Defendant suffered sleepless nights and mental anguish for which, Plaintiff should be ordered to pay moral damages of not less tha[n] Php.100,000.00."[25] (Emphasis supplied)

On August 31, 2010, the RTC rendered the assailed Decision[26] appealed from, which dismissed plaintiff-appellant Agoo's Complaint,[27] and which ordered plaintiff-appellant Agoo to pay defendant-appellee Benemerito Php10,000.00 as Attorney's Fees and Php80,000.00 as Exemplary Damages.[28]

Plaintiff-appellant Agoo filed the Appeal[29] at bench, praying that:

> "WHEREFORE, it is respectfully prayed of this Honorable Court of Appeals that the Decision promulgated by the court a quo dated August 31, 2010 be REVERSED and SET ASIDE and a new one be issued (1) directing defendant-appellee to pay her monetary obligations to plaintiff-appellant plus legal interest computed from the time she defaulted in paying her milling fees; (2) striking out the award of [E]xemplary [D]amages; and (3) striking out the award of [A]ttorney's [F]ees.
>
> Other relief just and equitable under the circumstances are likewise prayed for."[30]

The Appeal raised the following assignment of errors:

> "I.
>
> THE REGIONAL TRIAL COURT ERRED IN DISMISSING/DENYING THE COMPLAINT DESPITE THE EXISTENCE OF A RIGHT BY THE PLAINTIFF-APPELLANT OVER THE PROPERTIES SUBJECT OF THE COMPLAINT.
>
> II.
>
> THE REGIONAL TRIAL COURT ERRED IN AWARDING EXEMPLARY DAMAGES TO DEFENDANT-APPELLEE."[31]

Despite the failure of defendant-appellee Benemerito to file an Appellee's Brief, it is nevertheless Our "primary duty to render or dispense justice"[32] in this case in accordance with the facts and law.

Contrary to plaintiff-appellant Agoo's arguments in its assigned error I, plaintiff-appellant Agoo had no right to collect rentals from defendant-appellee Benemerito for her use of the subject properties.

Plaintiff-appellant Agoo had argued that:

> "The ownership of the real properties and rice milling machines is still in dispute and pending before the Honorable Supreme Court. Plaintiff-appellant ARMC was and still is the actual, physical and material possessor of the properties as proven in the case for damages filed by defendant-appellee Benemerito against John Kam Biak Y. Chan, Jr. and docketed as Civil Case No. A-2603 which the Regional Trial Court of Agoo, La Union had already dismissed.
> Even assuming without admitting that plaintiff-appellant is not the owner of the real property and rice milling machines, does this fact alone prevent the plaintiff-appellant from exercising its right to collect from the defendant-appellee considering that the latter benefitted (sic) from the use of the rice milling machines through the former's appointed administrators?

It is worth stressing that when FWL tried to re-negotiate for a higher milling fee and defendant-appellee refused to accede, plaintiff-appellant took over the renegotiation from FWL. Unfortunately, such re-negotiation met the same fate as defendant-appellee sternly refused to give in since she is insisting on her contract with LBP. Was

there then a perfected new contract between defendant-appellee and plaintiff-appellant? Definitely not since there was no agreement as to the consideration. Nevertheless, defendant-appellee is using the rice milling machines even in the absence of a new contract.

xxx

Now then, in using the rice milling machineries without any new contract, express or implied, defendant-appellee is definitely being benefited at the expense of plaintiff-appellant. Simply put, defendant-appellee is unjustly enriching herself at the expense of plaintiff-appellant. Hence, even if there is no new contract, there exists between the plaintiff-appellant and defendant-appellee a quasi-contract of solutio indebiti. In such a case, a creditor-debtor relationship is created under a quasi-contract whereby the plaintiff-appellant becomes the creditor who then has the right to demand the payment, and the person who has no right to receive such benefit becomes the debtor and is obligated to pay the benefits received."[33] (Emphasis supplied in the original)

Defeating the allegations of plaintiff-appellant Agoo however, is that as the records revealed, the properties were already owned by the LBP on March 2009, which was the time defendant-appellee Benemerito had allegedly failed to pay rentals to plaintiff-appellant Agoo for the use of such properties. LBP's ownership of the subject properties at such time was shown by the TCT Nos. T-8831[34] and T-8832[35] dated April 16, 2007, which were issued in the name of LBP. The titles of ownership of LBP resulted from LBP's having been declared as the winner, being the lone bidder, in the Extrajudicial Foreclosure Proceeding conducted on the properties.

Thus, defendant-appellee Benemerito could no longer be obligated to pay rentals to plaintiff-appellant Agoo. Instead, defendant-appellee Benemerito had the obligation to pay such rentals to LBP.

The rental payments made by defendant-appellee Benemerito to LBP, which was already the owner of the subject properties, is also the reason why plaintiff-appellant Agoo could not raise here the issue that defendant-appellee Benemerito had unjustly enriched herself at the expense of plaintiff-appellant Agoo. Besides, plaintiff-appellant Agoo could not do so, since as the records revealed, the issue of unjust enrichment was not raised in the proceedings before the RTC. Plaintiff-appellant Agoo's doing so now is a violation of the well-entrenched rule that no new issues could be raised for the first time on appeal. This was as reiterated by the Supreme Court in Ayala Land, Inc. and Capitol Citifarms, Inc. v. Castillo, et al., G.R. No. 178110, June 15, 2011, to wit:

> "We cannot uphold respondents' proposition for us to disregard basic rules, particularly the rule that new issues cannot be raised for the first time on appeal. xxx
>
> It is well established that issues raised for the first time on appeal and not raised in the proceedings in the lower court are barred by estoppel. Points of law, theories, issues, and arguments not brought to the attention of the trial court ought not to be considered by a reviewing court, as these cannot be raised for the first time on appeal. To consider the alleged facts and arguments belatedly raised would amount to trampling on the basic principles of fair play, justice, and due process. More important, if these matters had been raised earlier, they could have been seriously examined by the administrative agency concerned." (Emphasis supplied; Italics made in the original)

Given all these, no cogent or compelling reason was therefore shown to justify any deviation from the following conclusions of the RTC in its Decision[36] dated August 31, 2010, which were in accordance with the facts and the law:

> "After a full-blown trial, this Court found out that, really, plaintiff has no cause of action against defendant Rizalina Benemerito.
>
> Plaintiff Agoo Rice Mill Corporation was no longer the owner of the rice milling machineries and the parcels

> of land on which the machines were attached as of April 16, 2007 because Land Bank of the Philippines became the owner when it consolidated ownership of said parcels of land and the rice milling machines in April 16, 2007.
>
> The writ of possession filed by Land Bank of the Philippines ex parte with the RTC in San Fernando, La Union is ministerial. (xxx)
>
> The plaintiff is banking on the gossamer linkage that because the Land Bank filed a petition for writ of possession that prestol the bank had no possession.
>
> The Court is of the opinion that this kind of argument is mere sophistry because defendant Rizalina Benemerito has been in actual possession of the parcel of land and the milling machines since 2001, first as a lessee of plaintiff and then later as a lessee of Land Bank of the Philippines.
>
> In short, Land Bank becomes the owner of the parcel of land and the machines from the time it consolidated its ownership over said properties.
>
> xxx
>
> Hence, the plaintiff has no cause of action against the defendant because it is not the owner of the parcels of land and rice milling machines anymore.
>
> Thus, the first element for a cause of action to exist, which is the right of a plaintiff that the defendant has obligation not to violate, is not present."[37] (Emphasis supplied; underling supplied in the original)

Indeed, the findings of the lower court are entitled to great weight and respect on appeal, and are in fact accorded finality when supported by sufficient evidence on the record,[38] as in this case. The lower court's conclusions and findings of fact should not be disturbed unless for strong and cogent reasons, because it is in a better position to examine real evidence, as well as observe the demeanor of the witnesses during trial.[39]

However, as correctly argued by plaintiff-appellant Agoo in its assigned error II, the RTC erred in awarding Exemplary Damages and Attorney's Fees in favor of defendant-appellee Benemerito.

Defendant-appellee Benemerito could not be awarded Exemplary Damages because she failed to establish her entitlement to Moral, Temperate, and Compensatory Damages. A party, like defendant-appellee Benemerito here, can not be awarded Exemplary Damages unless she sufficiently established her clear right to Moral, Temperate, and Compensatory Damages.[40] That this is to be so, is pursuant to Article 2234 of the New Civil Code, which states:

> "ART. 2234. While the amount of the exemplary damages need not be proved, the plaintiff must show that he is entitled to moral, temperate or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded. xxx" (Emphasis supplied)

Defendant-appellee Benemerito could not also be awarded Attorney's Fees, given that defendant-appellee Benemerito failed to provide factual, legal, and judicial justifications for such grant in her favor, including the failure to sufficiently show any bad faith on the part of plaintiff-appellant Agoo in filing the Complaint against her. In addition, the RTC failed to discuss in the body of its Decision[41] the basis for such award to defendant-appellee Benemerito.[42]

That Attorney's Fees could not be awarded if defendant-appellee Benemerito failed to sufficiently show plaintiff-appellant Agoo's bad faith, and, if the lower court failed to provide the factual and legal bases for such award in its decision, is pursuant to the following pronouncement of the Supreme Court in Benedicto v. Villaflores, G.R. No. 185020, October 6, 2010:

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> "Certainly, Filomena was compelled to file this suit to vindicate her rights. However, by itself, it will not justify an award of attorney's fees. In Mindex Resources Development v. Morillo, this Court, in denying a claim for attorney's fees, held:
>
> We find the award of attorney's fees to be improper. The reason which the RTC gave - because petitioner had compelled respondent to file an action against it - falls short of our requirement in Scott Consultants and Resource Development v. CA from which we quote:
> 'It is settled that the award of attorney's fees is the exception rather than the rule and counsel's fees are not to be awarded every time a party wins suit. The power of the court to award attorney's fees under Article 2208 of the Civil Code demands factual, legal, and equitable justification; its basis cannot be left to speculation or conjecture. Where granted, the court must explicitly state in the body of the decision, and not only in the dispositive portion thereof, the legal reason for the award of attorney's fees.'

xxx

Indeed, respondent was compelled to file this suit to vindicate his rights. However, such fact by itself will not justify an award of attorney's fees, when there is no sufficient showing of petitioner's bad faith in refusing to pay the said rentals as well as the repair and overhaul costs." (Emphasis supplied)

After careful consideration of all the facts, arguments, and issues appearing on the records, as well as of the pertinent laws and jurisprudence, and, in accordance with what is best determined to be proper under the circumstances, the following disposition is therefore made on these matters.

GIVEN ALL THESE, the Appeal is DENIED. The assailed Decision is AFFIRMED, with the MODIFICATION that the awards of Exemplary Damages and Attorney's Fees in favor of defendant-appellee Rizalina Benemerito are DELETED.

SO ORDERED.

Dicdican, and Paredes, JJ., concur.

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[1] Rollo, pp. 13-36.

[2] Rollo, pp. 37-50.

[3] Records, pp. 2-11.

[4] Records, p. 2.

[5] Exhibits for Defendant, pp. 37-39.

[6] Exhibits for Defendant, pp. 46-47.

[7] Exhibits for Defendant, pp. 57-58.

[8] Exhibits for Defendant, pp. 77-78.

[9] Exhibits for Defendant, pp. 37-39.

[10] Exhibits for Defendant, pp. 46-47; 57-58; 77-78.

[11] Records, pp. 30-31.

[12] Exhibits for Defendant, pp. 32-33.

[13] Exhibits for Defendant, p. 34.

[14] Records, pp. 14-15.

[15] Rollo, p. 16.

[16] Records, p. 21.

[17] Records, pp. 16-17; 18-19; 22-23.

[18] Exhibits for Defendant, pp. 8-13.

[19] Exhibits for Defendant, p. 8.

[20] Exhibits for Plaintiff, p. 19.

[21] Records, p. 65.

[22] Records, pp. 2-11.

[23] Records, pp. 5-6.

[24] Records, pp. 66-71.

[25] Records, pp. 69-70.

[26] Rollo, pp. 37-50.

[27] Records, pp. 2-11.

[28] Rollo, p. 50.

[29] Rollo, pp. 13-36.

[30] Rollo, pp. 35-36.

[31] Rollo, p. 19.

[32] Paz Reyes Aguam vs. Court of Appeals, et. al., G.R. No. 137672, May 31, 2000.

[33] Rollo, pp. 26-27.

[34] Exhibits for the Defendant, pp. 1-2.

[35] Exhibits for the Defendant, pp. 3-4.

[36] Rollo, pp. 37-50.

[37] Rollo, pp. 48-50.

[38] Spouses Patricio and Myrna Bernales vs. Heirs of Julian Sambaan, et al., G.R. No. 163271, January 15, 2010.

[39] Spouses Patricio vs. Heirs of Sambaan, G.R. No. 163271, January 15, 2010.

[40] Villanueva v. Court of Appeals, G.R. No. 132955, October 27, 2006.

[41] Rollo, pp. 37-50.

[42] Rollo, p. 50.

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