

**SPOUSES FRANCISCA AND GENCIANO ALIDO AND BITUIN ALIDO,
PLAINTIFFS-APPELLEES, VS. UNION BANK OF THE PHILIPPINES
(FORMERLY INTERNATIONAL EXCHANGE BANK),
DEFENDANT-APPELLANT.**

Ponente: DIMAAMPAO, J.

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DIMAAMPAO, J.:

Assailed in this Appeal is the Decision[1] dated 16 August 2012 of the Regional Trial Court of Makati City, Branch 141, in Civil Case No. 10-061, which dismissed the counterclaim of defendant-appellant Union Bank (appellant) against plaintiffs-appellees, the spouses Francisca and Genciano Alido (spouses Alido) as well as Bituin Alido (Bituin). Collectively, We shall refer to the latter as appellees.

The salient facts of the case are uncomplicated.

Appellees and appellant[2] entered into a Lease Purchase Agreement[3] (LPA) over a residential property located at Blk. 2 Lot 3, Mia Alta Gardens Subdivision, Antipolo, Rizal with an area of 121 square meters and covered by Transfer Certificate of Title (TCT) No. 32877.[4] Pursuant to the provisions of the LPA, the term of lease covered the period 30 August 2005 to 30 August 2007 with an option to purchase the same upon the expiry of the aforesaid period.

Claiming that appellant breached its contractual obligation under the LPA, appellees filed a Complaint for Specific Performance with Prayer for TRO[5] asseverating that the original period of the lease was extended by the parties after they manifested their intention to exercise their option to buy the property. To realize this, they chose to avail of a bank financing scheme for payment of the balance to which appellant agreed. In time, arrangements were made with Sterling Bank of Asia (Sterling Bank) to obtain a loan.

In actual fact, Sterling Bank approved the loan application in favor of Bituin. The subsequent letter of guarantee[6] dated 4 December 2008 it issued was nonetheless rejected by appellant. Appellees signified their intent to pursue the loan application, this time with appellant. Yet, appellant took no action on their application; rather, it forcibly drove appellees away from the premises. Worse, a public auction of the subject property was scheduled on 23 January 2010. Appellees avowed that the auction must be forestalled and that they must be allowed to exercise their option to purchase the disputed realty as provided under the LPA.

Contrariwise, appellant claimed[7] that appellees did not comply with the requisites set therefor before their option to purchase the disputed property could be exercised as provided under the LPA. It appeared that before the expiration of the LPA, appellant wrote[8] the spouses Alido to remind them but they paid no heed thereto eventuating their cessation to possess the premises. All the same, appellees paid no heed to said letter. Consequently, upon the expiration of the lease period, appellees' right to possess the subject property as lessees likewise ceased. Simply put, the period of lease was not extended as alleged by appellees.

Since the lease had already expired, appellant sent several Notices to Vacate dated 11 August 2008,[9] 15 October

2009[10] and 3 November 2009.[11] However, appellees turned a deaf ear to these notices. Meanwhile, appellant discovered that appellees had subleased the property in dispute to a certain Ms. Del Rosario without its consent, in blatant violation of the LPA. Upon Ms. Del Rosario's discovery that appellees were not the owners of the subject property and had no right to lease the same, she voluntarily turned over[12] to appellant the possession thereof on 7 November 2009. Thereafter, appellant took possession over the same and assigned a caretaker.

In all, appellant prayed that it be awarded moral damages, exemplary damages, and attorney's fees. Notwithstanding referral of the case to the Philippine Mediation Center[13] and eventually to the Judicial Dispute Resolution Conference[14] for negotiation proceedings, the parties arrived no settlement thereof.[15] Thus, a pre-trial conference was scheduled. On the scheduled date of conference, appellees were not represented by their counsel who also failed to file any Pre-Trial Brief.

In the Order[16] dated 10 April 2012, the court a quo declared appellees non-suited and dismissed the instant Complaint. Moreover, it allowed appellant to present evidence on its counterclaim. Appellees forthwith filed an Omnibus Motion (For Reconsideration, For allowance to submit Pre-Trial Brief and To set Pre-Trial Conference).[17] Nonetheless, it was denied by the court a quo in the Order[18] dated 4 June 2012. Appellant then proceeded with its presentation of evidence.

Appellant presented Romel De Borja (De Borja), Asset Recovery Officer, as witness who substantially affirmed the allegations of the former's Answer.

Finding appellant's counterclaim unmeritorious, the court a quo dismissed the same in the assailed Decision. When appellant moved for a reconsideration[19] thereof, the court a quo found no compelling reason to reverse its earlier ruling.[20]

Through the present Appeal, appellant asseverates that—

THE HONORABLE COURT A QUO COMMITTED GRAVE AND REVERSIBLE ERROR WHEN IT RENDERED THE QUESTIONED 16 AUGUST 2012 DECISION AND THE 29 OCTOBER 2012 ORDER WHEN BOTH RESOLUTIONS DISMISSED THE COUNTERCLAIM OF DEFENDANT-APPELLANT.

The Appeal lacks merit.

The *lis mota* of the controversy is not a hard row to hoe— Is the appellant entitled to the award of moral and exemplary damages as well as attorney's fees?

Anent moral damages, the Civil Code explicitly provides:

"Article 2217. Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission.

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Article 2219. Moral damages may be recovered in the following and analogous cases:

(1)

A criminal offense resulting in physical injuries;

(2)

Quasi-delicts causing physical injuries;

(3)

Seduction, abduction, rape, or other lascivious acts;

(4)

Adultery or concubinage;

(5)

Illegal or arbitrary detention or arrest;

(6)

Illegal search;

(7) Libel, slander or any other form of defamation;

(8) Malicious prosecution;

(9) Acts mentioned in Article 309;

(10) Acts and actions referred to in Articles 21, 26, 27, 28, 29, 30, 32, 34, and 35.

The parents of the female seduced, abducted, raped, or abused, referred to in No. 3 of this article, may also recover moral damages.

The spouse, descendants, ascendants, and brothers and sisters may bring the action mentioned in No. 9 of this article, in the order named.

Article 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith."

It is primal that moral damages are not awarded to a corporation unless it enjoyed good reputation that the offender debased and besmirched by his actuations.[21] Here, appellant does not snugly fit into the exception. There is no showing that the suit besmirched its reputation. On this score, it bears stressing that in demands for moral damages, it is essential that the claimant satisfactorily proves the existence of the factual basis of the damages and its casual relation to defendant's acts. This is so because moral damages although incapable of pecuniary estimation, are in the category of an award designed to compensate the claimant for actual injury suffered and not to impose a penalty on the wrongdoer.[22]

Withal, moral damages are, as a rule, also not recover-able in culpa contractual except when bad faith had been proved.[23]

After a perspicacious review of the record, We are convinced that appellant failed to prove bad faith on the part of appellees. Discernibly, appellees were desirous to purchase the subject property but were, on their own, financially incapable to do so. They tried all possible means so that appellant would allow them to acquire the same. On this account, We resonate the court a quo's disquisition, viz:

"Such is not present in this case, when in filing the complaint, the (appellees) appeared to be merely asserting a cause of action which is apparently valid. Notably from the (appellant's) own evidence, it was admitted that the (appellees) were able to pay a total of Php290,000.00 covering the months of August 30, 2005 to December 2007, whereas the lease period under the Lease with Option to Purchase Agree-ment was only from August 30, 2005 to August 30, 2007. Glaringly, (appellees) signified their intent to purchase the property at the end of the

lease, who in fact worked for an arrangement to pay the required balance of the purchase price. No less than by (appellant's) own letter to the (appellees) showed that it was only in August 2008 which is more than a year after the expiration of the lease period that it formally demanded the (appellees) to vacate the property. This creates an impression that the (appellant) was amenable, even after the end of the lease period, to plaintiffs' option to purchase should they be able to raise the needed balance. This is categorically admitted by the (appellant); (sic) that due consideration was given the (appellees) to accept their payments even after the lease expired. In fact, (appellant) continued to receive monthly rental payments from the (appellees) after the expiration of the agreement on August 30, 2005.

Thus, in filing the complaint the (appellees) did not appear to be in bad faith, but were simply asserting what they believe to be their right under the circumstances. If they were wrong in their assessment that made them file the complaint, it does not mean bad faith. Bad faith does not simply connote a bad judgment or negligence, but (sic) rather it implies the conscious doing of a wrong because of a dishonest purpose or moral obliquity. Such is not present in this case."^[24]

From the foregoing, We perceive no cogent basis for an award of exemplary damages as there is no finding that appellees acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner. Therewithal, there can be no award of exemplary damages as there is no grant of moral damages.^[25] As there is no award of exemplary damages, an award of attorney's fees cannot be adjudged.^[26]

WHEREFORE, the Appeal is hereby DENIED. The Decision dated 16 August 2012 of the Regional Trial Court of Makati City, Branch 141, in Civil Case No. 10-061, is AFFIRMED.

SO ORDERED.

Ybañez, and Manahan, JJ., concur.

[1] Original Record, pp. 184-187.

[2] Appellant entered into a Plan of Merger with International Exchange Bank on 3 August 2006, the former being the absorbed corporation, Id., pp. 153 and 157-159.

[3] Id., pp. 7-10.

[4] Original Record, pp. 11-12.

[5] Id., pp. 1-6.

[6] Id., pp. 15-16.

[7] See Answer (With Compulsory Counterclaim); Id., pp. 36-47.

[8] Id., p. 51.

[9] Original Record, p. 52.

[10] Id., p. 53.

[11] Id., p. 54.

[12] Id., p. 61.

[13] Id., p. 70.

[14] Id., p. 73.

[15] Id., p. 88.

[16] Id., 106.

[17] Id., pp. 109-111.

[18] Id., p. 120.

[19] Original Record, pp. 188-194.

[20] See Order dated 29 October 2012;Id., p. 204.

[21] See San Fernando Regala Trading, Inc. v. Cargill Philippines, Inc., 707 SCRA 187, 196 (9 October 2013).

[22] See Damages, 207 SCRA 366, 391 (23 March 1992).

[23] San Fernando Regala Trading, Inc. v. Cargill Philippines, Inc., 707 SCRA 187, 196-197 (9 October 2013).

[24] Original Record, pp. 186-187.

[25] Article 2229 of the Civil Code: Exemplary or corrective are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

[26] Article 2208 of the Civil Code: In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

(1) When exemplary damages are awarded;xxx

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