

MUTUAL PAPER INC., PETITIONER, VS. EASTERN SCOTT PAPER COMPANY, RESPONDENT.

G.R. No. L-26540. December 28, 1981

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

For consideration in this Petition is the reasonableness of the award in respondent's favor of attorney's fees in the amount of P20,000.00.

Respondent Eastern Scott Paper Company filed on November 24, 1962, with the Court of First Instance of Rizal, Quezon City, Branch IX, an action against petitioner Mutual Paper Inc., for the collection of the sum of P782,566.58, which represents the unpaid value of various quantities of paper and paper products in the total amount of P4,271,572.04 sold by respondent to petitioner from July 3, 1961 to February 17, 1962 on a thirty-day-credit basis. The Court appointed a receiver, ex-parte, as prayed for by respondent in its Complaint, to preserve and administer the properties of petitioner corporation, which had shortened its corporate existence to May 31, 1962.

On April 15, 1963, or during the pendency of the action, petitioner paid respondent the amount of P280,000.00.

On July 3, 1963, petitioner confessed judgment to the recomputed unpaid balance of P398,902.00. On the same day, the Court ruled:

"Considering that the defendant (petitioner herein) has confessed judgment to the unpaid balance of P398,902.00, let judgment be entered against the defendant for the said amount of P398,902.00, with interest at 6% from the date of filing until fully paid, without pronouncement as to attorney's fees and costs."

Respondent moved to reconsider the non-award of attorney's fees, invoking the stipulation in the purchase orders, invoices and delivery receipts providing for the payment of 25% of the amount due as attorney's fees in case of litigation to enforce collection, and Article 2208 of the Civil Code, which allows payment of attorney's fees in instances where a party has been compelled to file an action to protect its interests. Petitioner opposed reconsideration and offered instead to pay the costs in the amount of P1,500.00 and nominal attorney's fees of P3,000.00 for the filing of the complaint.

On January 3, 1964, the trial Court ruled:

"Resolving the motion for reconsideration filed by plaintiff corporation (respondent herein) dated July 10, 1963, in which said plaintiff prays the Court that the decision of this Court dated July 3, 1963 be reconsidered and defendant be ordered to pay plaintiff 10% of the amount due for attorney's fees and to pay the costs of the suit, considering the nature of the services rendered by counsel for plaintiff and the amount involved in the case, and considering further the fact that plaintiff is willing to condone payment of the interest due, the Court hereby reconsiders and amends its decision of July 3, 1963, and hereby orders defendant to pay plaintiff the sum of P20,000.00 for attorney's fees, and the additional sum of P1,520.00 as costs, the sum total to be free of any interest whatsoever."

Petitioner sought reconsideration contending that the award of attorney's fees was exorbitant since counsel's services were limited to the mere filing of the complaint without any actual trial on the merits. Respondent opposed the Motion. The Court denied reconsideration.

Petitioner appealed to the Court of Appeals, which affirmed the appealed judgment, stating:

"We believe that the amount of P20,000.00 thus awarded by the lower court as attorney's fees is not unreasonable. While it is true that this case was determined by virtue of a confession of judgment made by the defendant, yet it should be noted that the services of plain-tiff's counsel did not only consti-tute in the filing of the complaint but also in the securing of a receiver, in appearing in courts and in dis-cussing the possibility of settling the case amicably with the other party. The social standing of the counsel is also another factor that we consider in the determination of the reasonable-ness of his attorney's fees. It should also be stated in this connection that the original claim was for P782,566.58 which was subsequently reduced to P398,902.00 by virtue of the confession of judgment. Likewise the condonation of interest by the plaintiff is a very strong factor to arrive at a conclusion that the award of P20,000.00 made by the lower court is reasonable.

WHEREFORE, finding no reversible error in the judgment appealed from the same is hereby affirmed, with costs against appellant."

Dissatisfied, petitioner filed the present Petition for Review assigning the following errors to respondent Court:

I

"The Court of Appeals committed an error of law in not holding that there was neither factual nor legal basis for the application of the fac-tors generally considered by courts in determining the reasonableness of attorney's fees.

II

The Court of Appeals committed an error of law in not holding that under the undisputed facts of this case, the award by way of attorney's fees of P20,000.00 is unreasonable and unjustified, considering peti-tioner's admission of the indebtedness to respondent.

III

The Court of Appeals committed an error of law in not holding that for the professional services of re-spondent's counsel, they were in law and in equity entitled only to the sum of P3,000.00 voluntarily offered by petitioner.

IV

The Court of Appeals committed an error of law in not modifying the decision of the trial court by holding petitioner liable only to the sum of P3,000.00."

The only issue is the reasonableness of the award of P20,000.00 as attorney's fees.

To be borne in mind is the fact that the attorney's fees herein litigated are not those recoverable as between lawyer and client. Such factors as the extent and character of the services rendered, the nature and importance of the litigation, and the professional character and social standing of the attorney are not, strictly speaking, control-ling, although they may aid in determining reason-ableness.[1] Rather, the attorney's fees involved are those agreed upon between two contracting parties in the event of litigation between them. They are in the nature of liquidated damages.

Under the provisions of Section 24, Rule 138, a written contract for services shall control the amount to be paid unless found by the Court to be unconscionable or unreasonable. And under Article 2227 of the Civil Code, "liquidated damages, whether intended as an indemnity or a penalty, shall be equitably reduced if they are iniquitous or unconscionable."

May the attorney's fees awarded of P20,000.00 be characterized as unconscionable or unreasonable? We opine in the negative.

Respondent was compelled to litigate or incur expenses to protect its interests.[2] Petitioner corporation was dissolved on May 24, 1962. That prompted respondent to bring the collection suit on November 24, 1962 and ask for the appointment of a receiver. Petitioner filed its Answer averring in its affirmative and special defenses that it was relieved from any obligation to respondent. However, it relented and made a partial payment on April 15, 1963 and confessed judgment on July 3, 1963. Obviously, the institution of the action hastened the settlement of petitioner's obligation which, however, took almost eleven months before initial payment was made, and more than one year before the balance, at a reduced amount, was admitted.

In the purchase orders and invoices in the case at bar, lawyer's fees and expenses of litigation were fixed at 25% of the amount due. The amount claimed in the Complaint was P50,000.00. Technically, even if the judgment had been reduced by compromise between the parties, the amount sued for was P782,566.58, 25% of which would amount to P195,641.64. Even on the proposition that the amount claimed had been reduced to P398,902.00, 25% thereof would be P99,725.50. This amount is the controlling obligation, which can be reduced if found to be unconscionable or unreasonable.

The trial Court and the Court of Appeals found that 25% attorney's fees based on the amount sued for was quite unreasonable so that they reduced it to P20,000.00. This is approximately five (5%) per-cent of P398,902.00, the amount that petitioner had confessed. That reduction is essentially discretionary with the trial Court[3] and, in the absence of any abuse of discretion, we are not inclined to disturb the same.

WHEREFORE, the judgment appealed from is hereby affirmed and the Petition dismissed.

SO ORDERED.

Teehankee, (Chairman), Makasiar, Fernandez, Guerrero, and Plana, JJ., concur.

[1] Polytrade Corporation vs. Blanco, 30 SCRA 187 (1969).

[2] Art. 2208, Civil Code.

[3] Lopez vs. Gonzaga, 10 SCRA 167 (1964); De Santos vs. City of Manila, 45 SCRA 409 (1972).

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