

**RAUL SESBREÑO, PETITIONER, VS. HON. COURT OF APPEALS, AND
PATRICIO GIAN, SOTERO BRANZUELA, ANDRES C. YPIL, SANTIAGO
BACAYO, BRIGIDO COHITMINGAO, VICTORINO DINOY, GUILLERMO
MONTE...**

G.R. No. 117438. June 08, 1995

Ponente: ROMERO, J.

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ROMERO, J.:

Of interest to all law practitioners is the issue at bench, namely, whether the Court of Appeals had the authority to reduce the amount of attorney's fees awarded to petitioner Atty. Raul H. Sesbreño, notwithstanding the contract for professional services signed by private respondents.

The antecedent facts of the case follow.

Fifty-two employees sued the Province of Cebu and then Governor Rene Espina for reinstatement and backwages.[1] Herein petitioner, Raul H. Sesbreño, replaced the employees' former counsel Atty. Catalino Pacquiao.

Thirty-two of the fifty-two employees signed two documents whereby the former agreed to pay petitioner 30% as attorney's fees and 20% as expenses to be taken from their back salaries.

On September 12, 1974, the trial court rendered a decision ordering the Province of Cebu to reinstate the petitioning employees and them back salaries. Said decision became final and executory after it was affirmed in toto by the Court of Appeals and the petition to review the appellate decision, denied by this Court in 1978.[2]

A compromise agreement was entered into by the parties below in April 1979 whereby the former employees waived their right to reinstatement among others. Likewise, pursuant to said compromise agreement, the Province of Cebu released P2,300,000.00 to the petitioning employees through petitioner as "Partial Satisfaction of Judgment." The amount represented back salaries, terminal leave pay and gratuity pay due to the employees.

Sometime November and December 1979, ten employees, herein private respondents,[3] filed manifestations before the trial court asserting that they agreed to pay petitioner 40% to be taken only from their back salaries.

The lower court issued two orders, with which petitioner complied, requiring him to release P10,000.00 to each of the ten private respondents and to retain 40% of the back salaries pertaining to the latter out of the P2,300,000.00 released to him.

On March 28, 1980, the trial court fixed petitioner's attorney's fees at 40% of back salaries, terminal leave, gratuity pay and retirement benefits and 20% as expenses, or a total of 60% of all monies paid to the employees.

Private respondents' motion for reconsideration was granted and on June 10, 1980, the trial court modified the award after noting that petitioner's attorney's lien was inadvertently placed as 60% when it should have been only

50%. The dispositive portion of the order reads:

"WHEREFORE, in view of all the foregoing the order of this Court fixing 60% as attorney's fee[s] of Atty. Sesbreño should be 50% of all monies which the petitioners (Suico, et. al.) may receive from the Provincial Government."

Obviously not satisfied with the attorney's fees fixed by the trial court, petitioner appealed to the Court of Appeals claiming additional fees for legal services before the Supreme Court, reimbursement for expenses and a clear statement that the fee be likewise taken from retirement pay awarded to his clients. Unfortunately, the respondent appellate court did not agree with him as the generous award was further reduced.[4]

The appellate court noted that in this jurisdiction, attorney's fees are always subject to judicial control and deemed the award of 20% of the back salaries awarded to private respondents as a fair, equitable and reasonable amount of attorney's fee. The decretal portion of the decision reads:

"WHEREFORE, the questioned order is MODIFIED. The attorney's fees due Atty. Raul Sesbreño is fixed at an amount equivalent to 20% of all back salaries which the Province of Cebu has awarded to herein 10 petitioners.[5]

Hence this petition for review where he claims that attorney's fees amounting to 50% of all monies awarded to his clients as contingent fees should be upheld for being consistent with prevailing case law and the contract of professional services between the parties. He adds that since private respondents did not appeal, they are not entitled to affirmative relief other than that granted in the regional trial court.

We find no reversible error in the decision of the Court of Appeals and vote to deny the petition.

Respondent court found that the contract of professional services entered into by the parties[6] authorized petitioner to take a total of 50% from the employees' back salaries only. The trial court, however, fixed the lawyer's fee on the basis of all monies to be awarded to private respondents.

Fifty percent of all monies which private respondents may receive from the provincial government, according to the Court of Appeals, is excessive and unconscionable, not to say, contrary to the contract of professional services.[7] After considering the facts and the nature of the case, as well as the length of time and effort exerted by petitioner, respondent court reduced the amount of attorney's fees due him.

It is a settled rule that what a lawyer may charge and receive as attorney's fees is always subject to judicial control.[8] A lawyer is primarily an officer of the court charged with the duty of assisting the court in administering impartial justice between the parties. When he takes his oath, he submits himself to the authority of the court and subjects his professional fees to judicial control.[9]

As stated by the Court in the case of *Sumaong v. Judge*:[10]

"A lawyer is not merely the defender of his client's cause and a trustee of his client in respect of the client's cause of action and assets; he is also, and first and foremost, an officer of the court and participates in the fundamental function of administering justice in society. It follows that a lawyer's compensation for professional services rendered are subject to the supervision of the court, not just to guarantee that the fees he charges and receives remain reasonable and commensurate with the services rendered, but also to maintain the dignity and integrity of the legal profession to which he belongs. Upon taking his attorney's oath as an officer of the court, a lawyer submits himself to the authority of the courts to regulate his right to professional fees."[11]

In the case at bench, the parties entered into a contingent fee contract. The Agreement provides:

"WE, the undersigned petitioners in the case of POLICRONIO BELACHO, ET. AL., VS. RENE ESPINA ET AL., hereby agree to pay Atty. Sesbreño, our lawyer, the following to be taken from our back salaries:

30% as attorney's fees

20% as expenses

That we enter into agreement in order to be paid our back salaries as early as possible and so that we may be reinstated as early as possible."

A stipulation on a lawyer's compensation in a written contract for professional services ordinarily controls the amount of fees that the contracting lawyer may be allowed, unless the court finds such stipulated amount unreasonable or unconscionable.[12]

A contingent fee arrangement is valid in this jurisdiction[13] and is generally recognized as valid and binding but must be laid down in an express contract.[14] The amount of contingent fees agreed upon by the parties is subject to the stipulation that counsel will be paid for his legal services only if the suit or litigation prospers. A much higher compensation is allowed as contingent fees in consideration of the risk that the lawyer may get nothing if the suit fails.

Contingent fee contracts are under the supervision and close scrutiny of the court in order that clients may be protected from unjust charges.[15] Its validity depends in large measure on the reasonableness of the stipulated fees under the circumstances of each case.[16]

When the courts find that the stipulated amount is excessive or the contract is unreasonable, or unconscionable, or found to have been marred by fraud, mistake, undue influence or suppression of facts on the part of the attorney, public policy demands that said contract be disregarded to protect the client from unreasonable exaction.[17]

Stipulated attorney's fees are unconscionable whenever the amount is by far so disproportionate compared to the value of the services rendered as to amount to fraud perpetrated upon the client. This means to say that the amount of the fee contracted for, standing alone and unexplained would be sufficient to show that an unfair advantage had been taken of the client, or that a legal fraud had been perpetrated on him.[18]

The decree of unconscionability or unreasonableness of a stipulated amount in a contingent fee contract, will not however, preclude recovery. It merely justifies the court's fixing a reasonable amount for the lawyer's services.

Courts may always ascertain, if the attorney's fees are found to be excessive, what is reasonable under the circumstances. Quantum meruit, meaning "as much as he deserves," is used as the basis for determining the lawyer's professional fees in the absence of a contract. Factors such as the time spent and extent of services rendered; novelty and difficulty of the questions involved; importance of the subject matter; skill demanded; probability of losing other employment as a result of acceptance of the proffered case; customary charges for similar services; amount involved the controversy and the benefits resulting to the client; certainty of compensation; character of employment; and professional standing of the lawyer, are considered in determining his fees.[19]

There is nothing irregular about the respondent court's finding that the 50% fee of petitioner is unconscionable. As aptly put by the court:

"It effectively deprives the appellees of a meaningful victory of the suit they have passionately pursued. Balancing the allocation of the monetary award, 50% of all monies to the lawyer and the other 50% to be allocated among all his 52 clients, is too lop-sided in favor of the lawyer. The ratio makes the practice of law a commercial venture, rather than a noble profession.

x x x Also, the 52 employees who are the plaintiffs in the aforementioned civil case were dismissed from employment, their means of livelihood. All 52 hired claimant-appellant as counsel so that they could be reinstated and their source of income restored. It would, verily be ironic if the counsel whom they had hired to help would appropriate for himself 50% or even 60% of the total amount collectible by these employees. Here is an instance where the courts should intervene."^[20]

Considering the nature of the case, which is a labor case, the amount recovered and petitioner's participation in the case, an award of 50% of back salaries of his 52 clients indeed strikes us as excessive. Under the circumstances, a fee of 20% of back salaries would be a fair settlement in this case. In any event, this award pertains only to the ten private respondents herein. Petitioner has already been compensated in the amount of 50% of all monies received, by the rest of his clients in the case below.

WHEREFORE, in view of the foregoing, the petition is DENIED and the appealed decision AFFIRMED.

SO ORDERED.

Melo, Vitug, and Francisco, JJ., concur.

Feliciano, J., on leave.

[1] "Policronio Belacho, et al. v. Gov. Rene Espina, et al., Civil Case No. R-11204, Court of First Instance, Branch VI, Cebu City.

[2] G.R. No. L-49076, November 22, 1978 cited in Province of Cebu v. Torres, G.R. No. L-76950, December 15, 1988, 168 SCRA 493.

[3] Jose Suico, Emilio Retubado, Patricio Gian, Sotero Branzuela, Andres Ypil, Santiago Bacayo, Brigido Cohitmingao, Victorino Dinoy, Guillermo Montejo and Timoteo Montejo.

[4] Decision dated January 31, 1994, in CA G.R. CV No. 26226, penned by Justice Buenaventura J. Guerrero and concurred in by Justices Cezar D. Francisco and Manuel C. Herrera; Rollo, p. 34.

[5] Rollo, p. 40.

[6] Rollo, p. 38, citing Exhibits "F" and "G."

[7] Rollo, pp. 38-39.

[8] Roldan v. CA, G.R. No. 97006, February 9, 1993, 218 SCRA 713; Ramos v. Bidin, G.R. No. L-53650 & 55460, May 28, 1988, 161 SCRA 561; Mambulao Lumber v. PNB, G.R. No. 22973, January 30, 1968; Gorospe v. Gochangco, 106 Phil. 425.

[9] Cruz v. CIR, G.R. No. L-18277, August 31, 1963, 8 SCRA 826.

[10] G.R. No. 78173, October 26, 1993, 215 SCRA 136 citing Ramos v. Bidin, supra and Gorospe v. Gochangco, supra.

[11] Ibid., at pp. 143-144.

[12] Rule 138, Section 24, Revised Rules of Court; Francisco v. Matias, G.R. No. 16349, January 31, 1964, 10 SCRA 89; Lopez v. Pan American Airways, G.R. No. L-22415, March 30, 1966. 16 SCRA 431.

[13] Armovit v. CA, G.R. No. 90983, September 27, 1991, 202 SCRA 16.

[14] *Corpus v. CA*, G.R. N. L-40424, June 30, 1980, 98 SCRA 424.

[15] Canons of Professional Ethics, Section 13, adopted by the Philippine Bar Association in 1917 and in 1946; *Dir. of Lands v. Ababa*, G.R. No. L-26092, February 27, 1979, 88 SCRA 513; *Integrated Construction Services v. Relova*, G.R. No. L-36424, July 31, 1975, 65 SCRA 638; *Ulanday v. MRR*, 45 Phil. 540.

[16] *Amalgamated Laborers Association v. CIR*, G.R. No. L-23467, March 27, 1968, 22 SCRA 1266; *Recto v. Harden*, 100 Phil 427.

[17] *Ulanday v. MRR*, *supra*; *Felices v. Madrilejos*, 51 Phil. 24; *Jayme v. Bualan*, 58 Phil. 422; *Gorospe v. Gochangco*, *supra*.

[18] *High Point Casket Co. v. Wheelers*, 19 A.L.R. 391, cited in ANNOTATIONS ON LEGAL ETHICS 244 (1st ed., 1983).

[19] Code of Professional Responsibility, Canon 20, Rule 20.1 promulgated June 21, 1988.

[20] Rollo, pp. 38-39.

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