

ATTY. WILFREDO TAGANAS, PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION, MELCHOR ESCULTURA, ET. AL., RESPONDENTS.*G.R. No. 118746. September 07, 1995*

Ponente: FRANCISCO, J.

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Petitioner Atty. Wilfredo E. Taganas represented herein private respondents in a labor suit for illegal dismissal, underpayment and non-payment of wages, thirteenth-month pay, attorney's fees and damages conditioned upon a contingent fee arrangement granting the equivalent of fifty percent of the judgment award plus three hundred pesos appearance fee per hearing.[1] The Labor Arbiter ruled in favor of private respondents and ordered Ultra Clean Services (Ultra) and the Philippine Tuberculosis Society, Inc., (PTSI) respondents therein, jointly and severally to reinstate herein private respondents with full backwages, to pay wage differentials, emergency cost of living allowance, thirteenth-month pay and attorney's fee, but disallowed the claim for damages for lack of basis.[2] This decision was appealed by Ultra and PTSI to the National Labor Relations Commission (NLRC), and subsequently by PTSI to the Court but to no avail. During the execution stage of the decision, petitioner moved to enforce his attorney's charging lien.[3] Private respondents, aggrieved for receiving a reduced award due to the attorney's charging lien, contested the validity of the contingent fee arrangement they have with petitioner, albeit four of the fourteen private respondents have expressed their conformity thereto.[4]

Finding the arrangement excessive, the Labor Arbiter ordered the reduction of petitioner's contingent fee from fifty percent of the judgment award to ten percent, except for the four private respondents who earlier expressed their conformity.[5] Petitioner appealed to NLRC which affirmed with modification the Labor Arbiter's order by ruling that the ten percent contingent fee should apply also to the four respondents even if they earlier agreed to pay a higher percentage.[6] Petitioner's motion for reconsideration was denied, hence this petition for certiorari.

The sole issue in this petition is whether or not the reduction of petitioner's contingent fee is warranted. Petitioner argues that respondent NLRC failed to apply the pertinent laws and jurisprudence on the factors to be considered in determining whether or not the stipulated amount of petitioner's contingent fee is fair and reasonable. Moreover, he contends that the invalidation of the contingent fee agreement between petitioner and his clients was without any legal justification especially with respect to the four clients who manifested their conformity thereto. We are not persuaded.

A contingent fee arrangement is an agreement laid down in an express contract between a lawyer and a client in which the lawyer's professional fee, usually a fixed percentage of what may be recovered in the action, is made to depend upon the success of the litigation.[7] This arrangement is valid in this jurisdiction.[8] It is, however, under the supervision and scrutiny of the court to protect clients from unjust charges.[9] Section 13 of the Canons of Professional Ethics states that "[a] contract for a contingent fee, where sanctioned by law, should be reasonable under all the circumstances of the case including the risk and uncertainty of the compensation, but should always

be subject to the supervision of a court, as to its reasonableness". Likewise, Rule 138, Section 24 of the Rules of Court provides:

SEC. 24. Compensation of attorneys; agreement as to fees. — An attorney shall be entitled to have and recover from his client no more than a reasonable compensation for his services, with a view to the importance of the subject-matter of the controversy, the extent of the services rendered, and the professional standing of the attorney. No court shall be bound by the opinion of attorneys as expert witnesses as to the proper compensation but may disregard such testimony and base its conclusion on its own professional knowledge. A written contract for services shall control the amount to be paid therefor unless found by the court to be unconscionable or unreasonable.

When it comes, therefore, to the validity of contingent fees, in large measure it depends on the reasonableness of the stipulated fees under the circumstances of each case. The reduction of unreasonable attorney's fees is within the regulatory powers of the courts.[10]

We agree with the NLRC's assessment that fifty percent of the judgment award as attorney's fees is excessive and unreasonable. The financial capacity and economic status of the client have to be taken into account in fixing the reasonableness of the fee.[11] Noting that petitioner's clients were lowly janitors who receive miniscule salaries and that they were precisely represented by petitioner in the labor dispute for reinstatement and claim for backwages, wage differentials, emergency cost of living allowance, thirteenth-month pay and attorney's fees to acquire what they have not been receiving under the law and to alleviate their living condition, the reduction of petitioner's contingent fee is proper. Labor cases, it should be stressed, call for compassionate justice.

Furthermore, petitioner's contingent fee falls within the purview of Article 111 of the Labor Code. This article fixes the limit on the amount of attorney's fees which a lawyer, like petitioner, may recover in any judicial or administrative proceedings since the labor suit where he represented private respondents asked for the claim and recovery of wages. In fact, We are not even precluded from fixing a lower amount than the ten percent ceiling prescribed by the article when circumstances warrant it.[12] Nonetheless, considering the circumstances and the able handling of the case, petitioner's fee need not be further reduced.

The manifestation of petitioner's four clients indicating their conformity with the contingent fee contract did not make the agreement valid. The contingent fee contract being unreasonable and unconscionable the same was correctly disallowed by public respondent NLRC even with respect to the four private respondents who agreed to pay higher percentage. Petitioner is reminded that as a lawyer he 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.[13]

WHEREFORE, finding no grave abuse of discretion the assailed NLRC decision is hereby affirmed in toto.

Narvasa, C.J., (Chairman), Regalado, Puno, and Mendoza, JJ., concur.

[1] Agreement, p. 1; Rollo, p. 71.

[2] Decision dated May 29, 1987; rollo pp. 33-41.

[3] Urgent Motion For Attorney's Charging Lien, rollo, pp. 67-70; Manifestation and Motion, rollo p. 72-77.

[4] The following expressed their conformity with the fifty percent of the judgment award contingent fee: Joey Sotto, Rodolfo Dacoro, Narciso D. Buera and Arnel Perillo; Manifestation and Urgent Motion dated June 30, 1993, rollo pp. 78-79.

[5] Order dated October 26, 1993; rollo, pp. 81-86.

[6] Penned by Quimpo, Com., Carale, Com., Concurring; Veloso, Com., No part; August 9, 1994; Rollo, pp. 20-29.

[7] Sesbreno v. Court of Appeals, G.R. No. 117438, June 8, 1995; Miles v. Cheyenne County, 96 Neb. 703, 148 NW 959; Grey v. Insular Lumber Co., 97 Phil. 833 (1955).

[8] Grey v. Insular Lumber Co., supra; Corpus v. Court of Appeals, 98 SCRA 424 (1980); Halili v. Court of Industrial Relations, 136 SCRA 112 (1985).

[9] Licudan v. Court of Appeals, 193 SCRA 293 (1991); Director of Lands v. Ababa, 88 SCRA 513 (1979).

[10] Radiowealth Finance Co., Inc. v. International Corporate Bank, 182 SCRA 862 (1990).

[11] Kapisanan ng Manggagawa sa Mla. Railroad Co. v. Fajardo, 164 SCRA 467 (1988); Amalgamated Laborers' Association v. Court of Industrial Relations, 22 SCRA 1266 (1968).

[12] D.M. Consunji, Inc. v. National Labor Relations Commission, 143 SCRA 204 (1986).

[13] Sesbreno v. Court of Appeals, supra.

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