COMPANIA MARITIMA, INC., EL VARADERO DE MANILA, MINDANAO TERMINAL AND BROKERAGE SERVICES, CARLOS P. FERNANDEZ, VICENTE T. FERNANDEZ, LUIS T. FERNANDEZ, AND RAMON B. FERNANDEZ, P...

G.R. No. 128452. November 16, 1999

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is a petition for review on certiorari of the decision[1] of the Court of Appeals, dated February 27, 1996, affirming the decision of the Regional Trial Court, Branch 94, Quezon City, dated March 16, 1993, which ordered petitioners to pay private respondent, Atty. Exequiel S. Consulta, the total amount of P2,590,000.00, as attorney's fees, and P21,856.40, as filing fees, in connection with three cases which the latter, as attorney, handled for the former.

The facts are as follows:

Maritime Company of the Philippines was sued by Genstar Container Corporation before the Regional Trial Court, Branch 31, Manila. On November 29, 1985, it was ordered to pay Genstar Container Corporation the following amounts:

- $469,860.35, or its equivalent in pesos at the current exchange rate.

- 25% of the total obligation, P2,000.00 as Acceptance Fee, and P250.00 per appearance - - as Attorney's Fees.

- Costs of suit.

As a result, properties of petitioners Compania Maritima, Inc., El Varadero de Manila, and Mindanao Terminal and Brokerage Services at Sangley Point, Cavite, were levied upon in execution. The properties, consisting of the tugboats Dadiangas, Marinero, and Timonel, the floating crane Northwest Murphy Diesel Engine, and the motorized launch Sea Otter, were worth P51,000,000.00 in sum. However, the same were sold at public auction for only P1,235,000.00 to the highest bidder, a certain Rolando Patriarca.[2]

Petitioners Compania Maritima, Inc., El Varadero de Manila, and Mindanao Terminal and Brokerage Services engaged the services of private respondent, Atty. Exequiel S. Consulta, who represented them in the following cases: (1) Civil Case No. 85-30134, entitled "Genstar Container Corporation v. Maritime Company of the Philippines," wherein petitioners' properties were levied upon although petitioners had not been impleaded as defendants therein; (2) TBP Case No. 86-03662, entitled "Compania Maritima, Inc., v. Ramon C. Enriquez," which was a criminal case for falsification and for violation of R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, against Deputy Sheriff Enriquez before the Tanodbayan; and (3) Civil Case No. 86-37196 entitled "Compania Maritima v. Genstar Container Corporation," an action for Injunction, Annulment of Execution Proceedings, and Damages.[3]

The cases were eventually resolved in this wise: (1) in Civil Case No. 85-30134, the trial court dismissed the third-party claim and motion for the issuance of a writ of preliminary injunction filed by Atty. Consulta; (2) after Atty. Consulta filed the complaint with the Tanodbayan in TBP Case No. 86-03662, petitioners transferred the handling of the case to another lawyer; and (3) Civil Case No. 86-37196 was eventually dismissed on motion of both parties, but only after the trial court's denial of the motion to dismiss filed by Genstar Container Corporation was upheld on appeal by both the Court of Appeals and the Supreme Court.[4]

For his services in the three cases, Atty. Consulta billed petitioners as follows: (1) P100,000.00 for Civil Case No. 85-30134; (2) P50,000.00 for TBP Case No. 86-03662; and (3) P5,000,000.00 for Civil Case No. 86-37196, including the subsequent appeals to the Court of Appeals and the Supreme Court. Petitioners did not pay the amount demanded but only P30,000.00 for Civil Case No. 85-30134 and P10,000.00 for TBP Case No. 86-03662.[5]

Because of the failure of corporate petitioners to pay the balance of his attorney's fees, Atty. Consulta brought suit against petitioners in the Regional Trial Court, Branch 94, Quezon City. He sought the recovery of the following: (1) P70,000.00, as the balance of the P100,000.00 attorney's fees billed for Civil Case No. 85-30134; (2) P40,000.00, as the balance of the P50,000.00 attorney's fees for TBP Case No. 86-03662, and (3) P5,000,000.00 as attorney's fees for Civil Case No. 86-37196, including the subsequent appeals therefrom to the Court of Appeals and the Supreme Court. He likewise asked for moral and exemplary damages, attorney's fees, and the costs of suit.[6]

On March 16, 1993, the trial court rendered a decision which in part stated:

> Considering all the circumstances as above set forth, this Court believes that the amount equivalent to five percent (5%) of the amount involved, or the amount of Two Million Five Hundred Fifty Thousand Pesos (P2,550,000.00) would be reasonable attorney's fees for the services rendered by the plaintiff in Civil Case No. 37196 and the two related proceedings in the Court of Appeals and the Supreme Court.
>
> As for the services rendered by the plaintiff in Civil Case No. 30134, for which he appears to have already been paid P30,000.00, the Court believes that an additional amount of P20,000.00 would be reasonable.
>
> On plaintiff's demand of P40,000.00, in addition to the P10,000.00 he had initially received for services rendered in the Tanodbayan case No. 86-03662, the Court grants him an additional P20,000.00.
>
> WHEREFORE, judgment is hereby rendered for the plaintiff and orders the defendant to pay the plaintiff, jointly and severally, damages as follows:
>
> - For services rendered by plaintiff in Civil Case No. 37196 and the related proceedings in the Court of Appeals and the Supreme Court - Two Million Five Hundred Fifty Thousand Pesos (P2,550,000.00).
>
> - For services rendered by plaintiff in Civil Case No. 30134 - Twenty Thousand Pesos (P20,000.00).
>
> - For services rendered in the TBP Case No. 86-03662 - Twenty Thousand Pesos (P20,000.00).
>
> - Filing fees in the amount of P21,856.40.
>
> The defendants' counterclaim and plaintiff's counterclaim to defendants counterclaim are both dismissed.
>
> SO ORDERED.

On appeal, the Court of Appeals affirmed the decision of the trial court. Said the appellate court:

> In Civil Case No. 37196, where appellee rendered his legal services, appellants' property worth Fifty One Million Pesos (P51,000,000.00) was involved. Likewise, the aforementioned case was not a simple action for

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> collection of money, considering that complex legal issues were raised therein which reached until the Supreme Court. In the course of such protracted legal battle to save the appellants' properties, the appellee prepared numerous pleadings and motions, which were diligently and effectively executed, as a result of which, the appellants' properties were saved from execution and their oppositors were forced to settle by way of a compromise agreement.
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> . . . .
>
> It is a well-settled rule that in the recovery of attorney's fees, whether as a main action or as an incident of another action, the determination of the reasonableness is within the prerogative of the courts (Roldan vs. Court of Appeals, 218 SCRA 713; Radiowealth Finance Co., Inc. vs. International Corporate Bank, 182 SCRA 862; Panay Electric vs. Court of Appeals, 119 SCRA 456).
>
> Based on the aforequoted ruling, We find that the court a quo did not commit any reversible error in awarding attorney's fees equivalent to five percent (5%) of the total value of properties involved in Civil Case No. 37196.

Hence, this appeal. Petitioners raise the following issues:

> a)
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> Whether or not the amount of attorney's fees awarded to the private respondent by the court a quo and affirmed by the Honorable Court is reasonable.
>
> b)
>
> Whether or not the doctrine of piercing the veil of corporate fiction may be applied in the case at bar.

With respect to the first question, it is pertinent to note two concepts of attorney's fees in this jurisdiction. In the ordinary sense, attorney's fees represent the reasonable compensation paid to a lawyer by his client for the legal services he has rendered to the latter. On the other hand, in its extraordinary concept, attorney's fees may be awarded by the court as indemnity for damages to be paid by the losing party to the prevailing party.[7]

The issue in this case concerns attorney's fees in the ordinary concept. Generally, the amount of attorney's fees due is that stipulated in the retainer agreement which is conclusive as to the amount of the lawyer's compensation. In the absence thereof, the amount of attorney's fees is fixed on the basis of quantum meruit, i.e., the reasonable worth of his services.[8] In determining the amount of attorney's fees, the following factors are considered: (1) the time spent and extent of services rendered; (2) the novelty and difficulty of the questions involved; (3) the importance of the subject matter; (4) the skill demanded; (5) the probability of losing other employment as a result of the acceptance of the proffered case; (6) the amount involved in the controversy and the benefits resulting to the client; (7) the certainty of compensation; (8) the character of employment; and (9) the professional standing of the lawyer.[9]

Both the Court of Appeals and the trial court approved attorney's fees in the total amounts of P50,000.00 and P30,000.00 for the services of Atty. Consulta in Civil Case No. 85-30134 and TBP Case No. 86-03662, respectively. Based on the above criteria, we think said amounts are reasonable, although the third-party claim and motion for the issuance of a writ of preliminary injunction filed by Atty. Consulta in Civil Case No. 85-30134 was dismissed by the trial court, while TBP Case No. 86-03662 was given by petitioners to another lawyer after Atty. Consulta had filed the complaint. On the other hand, although the order of the trial court in Civil Case No. 86-37196 granting the motion to dismiss filed by both parties did not state the grounds therefor, it is reasonable to infer that petitioners agreed thereto in consideration of some advantage. Hence, the rulings of the Court of Appeals and the trial court that, because of the complexity of the issues involved and the work done by counsel,

the amount of P2,550,000.00 was reasonable for Atty. Consulta's services.

In addition, the value of the properties involved was considerable. As already stated, to satisfy the judgment in favor of Genstar Container Corporation in Civil Case No. 85-30134, properties of petitioners worth P51,000,000.00 were sold at public auction. Only P1,235,000.00 was realized from the sale and petitioners were in danger of losing their properties. As the appellate court pointed out, Atty. Consulta rendered professional services not only in the trial court but in the Court of Appeals and in this Court. There is no question that through his efforts, properties owned by petitioners were saved from execution.

It is settled that great weight, and even finality, is given to the factual conclusions of the Court of Appeals which affirm those of the trial courts.[10] Only where it is shown that such findings are whimsical, capricious, and arbitrary can they be overturned. In the present case, the Court of Appeals affirmed the factual conclusions of the trial court that: (1) the issues in Civil Case No. 86-03662, including the appeals taken therefrom to the Court of Appeals and the Supreme Court, were quite complex; (2) the pleadings filed by Atty. Consulta were well-researched; and (3) as a result of Atty. Consulta's efforts, the adverse parties were induced to agree to the dismissal of the case.

Petitioners contend, however, that: (1) the said cases merely involved simple issues; (2) the pleadings filed by Atty. Consulta did not exhibit an extraordinary level of competence, effort, and skill; and (3) they did not benefit from the efforts of Atty. Consulta. These allegations have not been proven. Petitioners have not shown that the factual findings of both the Court of Appeals and the trial court are contrary to the evidence. Nor have they shown that they did not benefit from their representation by Atty. Consulta.

With respect to the liability of individual petitioners Carlos P. Fernandez, Vicente T. Fernandez, Luis T. Fernandez, and Ramon B. Fernandez, we hold that the mere fact that they were stockholders and directors of corporate petitioners does not justify a finding that they are liable for the obligations of the corporations.

It is well-settled that as a legal entity, a corporation has a personality separate and distinct from its individual stockholders or members. The fiction of corporate entity will be set aside and the individual stockholders will be held liable for its obligation only if it is shown that it is being used for fraudulent, unfair, or illegal purposes.[11] In this case, the Court of Appeals held that individual petitioners were guilty of fraud, based on its finding that they refused to pay the attorney's fees demanded by Atty. Consulta. It should be noted, however, that although petitioners Compania Maritima, Inc., El Varadero de Manila, and Mindanao Terminal and Brokerage Services have an obligation to pay Atty. Consulta for his attorney's fees, the amount thereof was still in dispute. It was therefore improper for the Court of Appeals to conclude that individual petitioners were guilty of fraud simply because corporate petitioners had refused to make the payments demanded. The fact remains that at the time of demand, the amount due to Atty. Consulta had not been finally determined.

WHEREFORE, in view of the foregoing, the decision of the Court of Appeals, dated February 27, 1996, is AFFIRMED with the modification that individual petitioners Carlos P. Fernandez, Vicente T. Fernandez, Luis T. Fernandez, and Ramon B. Fernandez are absolved from personal liability for attorney's fees to Atty. Exequiel S. Consulta.

SO ORDERED.

Bellosillo, (Chairman), Quisumbing, Buena, and De Leon, Jr., JJ., concur.

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[1] Per Justice Consuelo Ynares-Santiago (now Associate Justice of the Supreme Court) and concurred in by

Justices Arturo B. Buena (now Associate Justice of the Supreme Court) and Ruben T. Reyes.

[2] Complaint, Annex A, Records, pp. 20-23.

[3] Id., Annexes B and H, Records, pp. 24-27 and 38-43.

[4] Ibid.

[5] Id., Annex I, p. 44.

[6] Id., pp. 17-19.

[7] Traders Royal Bank Employees' Union v. National Labor Relations Commission, 269 SCRA 733 (1997).

[8] Supra.

[9] CODE OF PROFESSIONAL RESPONSIBILITY, CANON 20, RULE 20.1.

[10] Metro Manila Transit Corporation v. Court of Appeals, G.R. No. 116617, Nov. 16, 1998.

[11] McConnel v. Court of Appeals, 111 Phil. 310 (1961).

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