GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONER, VS. SPOUSES GONZALO AND MATILDE LABUNG-DEANG, RESPONDENTS.

G.R. No. 135644. September 17, 2001

Ponente: PARDO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-135644/

PARDO, J.:

The petitioner in the case is the Government Service Insurance System (hereafter, "GSIS"). Having lost the case in the trial court and the Court of Appeals, it now comes to this Court for redress.

At the onset, we state that the issue is not "suability" or whether GSIS may be sued despite the doctrine of state immunity from suit, but liability, whether or not GSIS may be liable to pay damages to respondent spouses given the applicable law and the circumstances of the case.[1]

The Case

The case is a petition[2] for review on certiorari of the decision of the Court of Appeals[3] affirming the decision of the Regional Trial Court, Angeles City[4] ordering GSIS to pay respondents Gonzalo (now deceased)[5] and Matilde Labung-Deang (hereafter, "spouses Deang") temperate damages, attorney's fees, legal interests and costs of suit for the loss of their title to real property mortgaged to the GSIS.

The Facts

Sometime in December 1969, the spouses Deang obtained a housing loan from the GSIS in the amount of eight thousand five hundred pesos (P8,500.00). Under the agreement, the loan was to mature on December 23, 1979. The loan was secured by a real estate mortgage constituted over the spouses' property covered by Transfer Certificate of Title No. 14926-R issued by the Register of Deeds of Pampanga.[6] As required by the mortgage deed, the spouses Daeng deposited the owner's duplicate copy of the title with the GSIS.[7]

On January 19, 1979, eleven (11) months before the maturity of the loan, the spouses Deang settled their debt with the GSIS[8] and requested for the release of the owner's duplicate copy of the title since they intended to secure a loan from a private lender and use the land covered by it as collateral security for the loan of fifty thousand pesos (P50,000.00)[9] which they applied for with one Milagros Runes.[10] They would use the proceeds of the loan applied for the renovation of the spouses' residential house and for business.[11]

However, personnel of the GSIS were not able to release the owner's duplicate of the title as it could not be found despite diligent search.[12] As stated earlier, the spouses as mortgagors deposited the owner's duplicate copy of the title with the GSIS located at its office in San Fernando, Pampanga.[13]

Satisfied that the owner's duplicate copy of the title was really lost, in 1979, GSIS commenced the reconstitution proceedings with the Court of First Instance of Pampanga for the issuance of a new owner's copy of the same.[14]

On June 22, 1979, GSIS issued a certificate of release of mortgage.[15]

On June 26, 1979, after the completion of judicial proceedings, GSIS finally secured and released the reconstituted copy of the owner's duplicate of Transfer Certificate of Title No. 14926-R to the spouses Deang.[16]

On July 6, 1979, the spouses Deang filed with the Court of First Instance, Angeles City a complaint against GSIS for damages, claiming that as result of the delay in releasing the duplicate copy of the owner's title, they were unable to secure a loan from Milagros Runes, the proceeds of which could have been used in defraying the estimated cost of the renovation of their residential house and which could have been invested in some profitable business undertaking.[17]

In its defense, GSIS explained that the owners' duplicate copy of the title was released within a reasonable time since it had to conduct standard pre-audit and post-audit procedures to verify if the spouses Deang's account had been fully settled.[18]

On July 31, 1995, the trial court rendered a decision ruling for the spouses Deang. The trial court reasoned that the loss of the owner's duplicate copy of the title "in the possession of GSIS as security for the mortgage... without justifiable cause constitutes negligence on the part of the employee of GSIS who lost it," making GSIS liable for damages.[19] We quote the dispositive portion of the decision:[20]

> "IN VIEW OF THE FOREGOING, the Court renders judgment ordering the GSIS:
>
> "a)
>
> To pay the plaintiffs-spouses the amount of P20,000.00 as temperate damages;
>
> "b)
>
> To pay plaintiffs-spouses the amount of P15,000.00 as attorney's fees;
>
> "c)
>
> To pay legal interest on the award in paragraphs a) and b) from the filing of the complaint; and,
>
> "d)
>
> To pay cost of the suit.
>
> "SO ORDERED."

On August 30, 1995, GSIS appealed the decision to the Court of Appeals.[21]

On September 21, 1998, the Court of Appeals promulgated a decision affirming the appealed judgment, ruling: First, since government owned and controlled corporations (hereafter, "GOCCs") whose charters provide that they can sue and be sued have a legal personality separate and distinct from the government, GSIS is not covered by Article 2180[22] of the Civil Code, and it is liable for damages caused by their employees acting within the scope of their assigned tasks. Second, the GSIS is liable to pay a reasonable amount of damages and attorney's fees, which the appellate court will not disturb. We quote the dispositive portion:[23]

> "WHEREFORE, finding no reversible error in the appealed judgment, the same is hereby AFFIRMED.
>
> "SO ORDERED."

Hence, this appeal.[24]

The Issue

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

Whether the GSIS, as a GOCC primarily performing governmental functions, is liable for a negligent act of its employee acting within the scope of his assigned tasks.[25]

The Court's Ruling

We rule that the GSIS is liable for damages. We deny the petition for lack of merit.

GSIS, citing the sixth paragraph of Article 2180 of the Civil Code argues that as a GOCC, it falls within the term "State" and cannot be held vicariously liable for negligence committed by its employee acting within his functions.[26]

> "Article 2180. The obligation imposed by Article 2176 is demandable not only for one's own acts or omissions, but also for those of persons for whom one is responsible.
>
> xxx
>
> "Employers shall be liable for the damages caused by their employees and household helpers acting within the scope of their assigned tasks, even though the former are not engaged in any business of industry.
>
> "The State is responsible in like manner when it acts though a special agent, but not when the damage has been caused by the official to whom the task was done properly pertains, in which case what is provided in Article 2176 shall be applicable.
>
> xxx (underscoring ours)"

The argument is untenable. The cited provision of the Civil Code is not applicable to the case at bar. However, the trial court and the Court of Appeals erred in citing it as the applicable law. Nonetheless, the conclusion is the same. As heretofore stated, we find that GSIS is liable for damages.

The trial court and the Court of Appeals treated the obligation of GSIS as one springing from quasi-delict.[27] We do not agree. Article 2176 of the Civil Code defines quasi-delict as follows:

> "Whoever by act or omission causes damages to another, there being fault or negligence, is obliged to pay for the damage done. Such fault or negligence, if there is no pre-existing contractual relation between the parties, is called a quasi-delict and is governed by the provisions of this Chapter (underscoring ours)."

Under the facts, there was a pre-existing contract between the parties. GSIS and the spouses Deang had a loan agreement secured by a real estate mortgage. The duty to return the owner's duplicate copy of title arose as soon as the mortgage was released.[28] GSIS insists that it was under no obligation to return the owner's duplicate copy of the title immediately. This insistence is not warranted. Negligence is obvious as the owners' duplicate copy could not be returned to the owners. Thus, the more applicable provisions of the Civil Code are:

> "Article 1170. Those who in the performance of their obligations are guilty of fraud, negligence, or delay and those who in any manner contravene the tenor thereof are liable for damages."
>
> "Article 2201. In contracts and quasi-contracts, the damages for which the obligor who acted in good faith is liable shall be those that are the natural and probable consequences of the breach of the obligation, and which the parties have foreseen or could have reasonably foreseen at the time the obligation was constituted xxx."

Since good faith is presumed and bad faith is a matter of fact which should be proved,[29] we shall treat GSIS as a party who defaulted in its obligation to return the owners' duplicate copy of the title. As an obligor in good faith, GSIS is liable for all the "natural and probable consequences of the breach of the obligation." The inability of the spouses Deang to secure another loan and the damages they suffered thereby has its roots in the failure of the GSIS to return the owners' duplicate copy of the title.

We come now to the amount of damages. In a breach of contract, moral damages are not awarded if the defendant is not shown to have acted fraudulently or with malice or bad faith.[30] The fact that the complainant suffered economic hardship[31] or worries and mental anxiety[32] is not enough.

There is likewise no factual basis for an award of actual damages. Actual damages to be compensable must be proven by clear evidence.[33] A court can not rely on "speculation, conjecture or guess work" as to the fact and amount of damages, but must depend on actual proof.[34]

However, it is also apparent that the spouses Deang suffered financial damage because of the loss of the owners' duplicate copy of the title. Temperate damages may be granted.

> "Article 2224. Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered when the court finds that some pecuniary loss has been suffered but its amount cannot, from the nature of the case, be proved with certainty."

GSIS submits that there must be proof of pecuniary loss. This is untenable. The rationale behind temperate damages is precisely that from the nature of the case, definite proof of pecuniary loss cannot be offered. When the court is convinced that there has been such loss, the judge is empowered to calculate moderate damages, rather than let the complainant suffer without redress from the defendant's wrongful act.[35]

The award of twenty thousand pesos (P20,000.00) in temperate damages is reasonable considering that GSIS spent for the reconstitution of the owners' duplicate copy of the title.

Next, the attorney's fees. Attorney's fees which are granted as an item of damages are generally not recoverable.[36] The award of attorney's fees is the exception rather than the rule and counsel's fees are not to be awarded every time a party wins a suit. The award of attorney's fees demands factual, legal and equitable justification; its basis cannot be left to speculation or conjecture.[37]

We find no circumstance to justify the award of attorney's fees. We delete the same.

The Fallo

WHEREFORE, we DENY the petition. We AFFIRM the decision of the Court of Appeals in CA-G.R. CV No. 51240 with the MODIFICATION that award of attorney's fees is DELETED.

No costs.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Kapunan, and Ynares-Santiago, JJ., concur.
Puno, J., on official leave.

---

[1] Distinction discussed in Municipality of San Fernando, La Union v. Firme, 195 SCRA 692, 697 [1991].

[2] Under Rule 45, Revised Rules of Court.

[3] In CA-G. R. CV No. 51240, promulgated on September 21, 1998, Hormachuelos, J., ponente, Guerrero and Villarama, Jr., JJ., concurring.

[4] In Civil Case No. 3114, dated July 31, 1995, Judge Carlos D. Rustia, presiding.

[5] Record of the Regional Trial Court, Manifestation with Motion to Substitute Heirs as Plaintiffs, pp. 105-106, Certificate of Death, p. 107. Gonzalo Daeng died on March 12, 1984, while the case was pending with the

Regional Trial Court. Gonzalo Deang was substituted by his heirs Romeo, Nicolas, Marte, Peter, Regino, Alfredo, Eduardo and July, all surnamed "Deang" (Motion to Substitute was approved by the trial court on September 26, 1984, Record of the Regional Trial Court, Order, p. 114).

[6] Plaintiff's Exhibit, RTC Record, p. 5.

[7] Complaint, Annex "A", Mortgage Agreement, RTC Record, pp. 6-7.

[8] Complaint, Annex "B" and "C", Official Receipts, RTC Record, p. 8.

[9] TSN, June 24, 1982, p. 5.

[10] TSN, March 5, 1982, p. 17.

[11] Ibid., pp. 5-6.

[12] TSN, November 25, 1982, pp. 8-9.

[13] Ibid., pp. 12-13.

[14] Petition, Rollo, pp. 9-18, at p. 14; Petition, Annex "A", Decision, Court of Appeals, Rollo, pp. 22-28, at p. 24; Petitioner's Memorandum, Rollo, pp. 56-66, at p. 58.

[15] Plaintiff's Exhibits, Mortgage Release, RTC Record, p. 11.

[16] TSN, November 25, 1982, pp. 17-18.

[17] Complaint, RTC Record, pp. 1-4.

[18] Petition, Annex "A", Decision, Court of Appeals, Rollo, pp. 22-28, at p. 23.

[19] Petition, Annex "B", Decision, Regional Trial Court, Rollo, pp. 29-33, at p. 32.

[20] Ibid., p. 33.

[21] Notice of Appeal, RTC Records, p. 133.

[22] Which provides, "The State is responsible in like manner when it acts through a special agent; but not when the official to whom the task done properly pertains, in which case what is provided in Article 2176 shall be applicable."

[23] Petition, Annex "A", Decision, Court of Appeals, Rollo, pp. 22-28, at p. 27.

[24] Petition filed on November 12, 1998, Rollo, pp. 8-18. On June 28, 2000, the Court resolved to give due course to the petition (Rollo, p. 54).

[25] Petition, Rollo, pp. 8-18, at pp. 12-13.

[26] Petition, Rollo, pp. 8-18, at p. 14.

[27] Under the Civil Code, "Article 1157. Obligations arise from: (1) Law; (2) Contracts; (3) Quasi-Contracts; (4) Acts or omissions punished by law; and (5) Quasi-delicts."

[28] TSN, November 25, 1982, p. 11.

[29] Bermudez v. Gonzales, G.R. No. 132810, December 11, 2000.

[30] Morris and Whittier v. Court of Appeals, G. R. No. 127957, February 21, 2001; Perez v. Court of Appeals,

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

121 Phil. 149 [1965].

[31] Perez v. Court of Appeals, 121 Phil. 149, 154 [1965].

[32] Solis & Yarisantos v. Salvador, 122 Phil. 223 [1965].

[33] Caedo v. Yu Khe Thai, 135 Phil. 399 [1968]; Abesamis v. Woodcraft Works, Ltd., 141 Phil. 71 [1959.}

[34] Delfin v. Court of Agrarian Relations, 125 Phil. 989, 990-991 [1967].

[35] Necesito v. Paras, 104 Phil. 75, 85 [1958], citing Report of the Code Commission, p. 75.

[36] Article 2208, Civil Code; Philippine Air Lines v. Miano, 312 Phil. 287, 294 [1995].

[37] Morales v. Court of Appeals, 340 Phil. 397, 422 [1997], citing Scott Consultants and Resource Development Corp. Inc. v. Court of Appeals, 312 Phil. 466, 481 [1995].

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.