

EDUARDO P. LUCAS, PETITIONER, VS. SPOUSES MAXIMO C. ROYO AND CORAZON B. ROYO, RESPONDENT.*G.R. No. 136185. October 30, 2000*

Ponente: BELLOSILLO, J.

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This is a petition for review assailing the Decision of the Court of Appeals[1] which affirmed the holding of the trial court[2] that the civil case for collection of a sum of money with damages filed by respondent-spouses Maximo C. Royo and Corazon B. Royo against Eduardo P. Lucas was unwarranted and without sufficient basis, but with the modification that the award of P25,000.00 as attorney's fees and litigation expenses shall be deleted for lack of clear proof of malice in filing the case. The Resolution denying petitioner Lucas' motion for reconsideration is likewise assailed.

Petitioner Eduardo P. Lucas was a seller, canvasser and collector in Royo's Homemade Candy and Bakery (ROYO'S), a factory in Laguna engaged in the manufacture of candies and bread. The factory is owned by respondent-spouses Maximo C. Royo and Corazon B. Royo. Lucas was assigned to specific market areas to sell ROYO'S products. Assisting him were a helper, a checker and a driver. In procuring orders from customers, Lucas was provided with order slips and official receipts, as well as a notebook where the sales, cash collections and indebtedness of customers were listed (sales and collection notebook). After each collection, the order slips and the sales and collection notebook were turned over to Maximo C. Royo and/or Corazon B. Royo for checking of entries.

On 6 January 1992 Maximo Royo and Corazon Royo filed a civil case for collection of a sum of money plus damages against Lucas alleging among others that in 1991 the latter defrauded them of P177,191.30 by collecting the indebtedness of customers without remitting the amount to them, by altering the list in the sales and collection notebook after the cash collections had been checked and remitted to them, and by making it appear that the indebtedness of customers had been paid when Lucas actually pocketed the amount. The Royos likewise alleged that a demand letter dated 19 October 1991 was sent to Lucas for the return of the amount but he refused.

According to Corazon, she began to suspect that Lucas was defrauding them on 21 August 1991, thus she instructed Carlito Flores, one of their workers, to place Lucas under close watch, especially on what he did with the sales and collection notebook. On 21 September 1991, returning from a trip from Fairview, Quezon City, Carlito Flores reported that he saw Lucas tear pages from the sales and collection notebook while they were along Calauan, Laguna. Corazon did not say anything, but the following day Lucas was dismissed from his employment.

Lucas denied the charge. He argued that it was impossible for him to defraud the Royos nor alter the lists in the sales and collection notebook as strict measures were imposed upon all sellers /canvassers/agents with respect to their remittances. He argued likewise that he could not have torn the pages from the sales and collection notebook on their return trip to Laguna because he was in full view of his companions as he was seated beside the driver

and the checker while Carlito Flores was seated at the back.

Petitioner Lucas opined that the actual reason for his dismissal was his having informed the Office of the Social Security System (SSS) of the Royos' failure to report their employees for SSS coverage.[3] After his termination, he filed another case against the Royos before the National Labor Relations Commission (NLRC) for illegal dismissal and violation of labor laws. He surmised that the complaint by the spouses against him was merely instituted in retaliation for the cases he had filed and to harass him if not weaken his resolve to pursue the cases he had filed.

In his compulsory counterclaim, Lucas stated that the Royos had informed his friends, customers and business associates of the fraud he allegedly committed against them while spreading rumors that he was a swindler and a manloloko. As a consequence of such rumors, Lucas claimed that his name was sullied, his reputation tarnished, and he suffered deep anguish and distress as his family was also affected by the rumors. According to him, his credit standing among the banks and his creditors was destroyed. In fact, Rogelio C. Cariaga, one of his creditors, withheld the release of his P100,000.00 loan which he intended to use to finance and expand his fishpond and piggery business. As this did not materialize, he incurred losses in the amount of P150,000.00 for unrealized profit. To protect and defend himself against the accusations hurled against him, he employed the services of a lawyer for P45,000.00 plus P1,200.00 per appearance. He demanded that he be paid P100,000.00 as actual damages in view of the loan withheld, P150,000.00 as unrealized profit from his fishpond and piggery business, P500,000.00 for moral damages, P200,000.00 for exemplary damages, plus attorneys fees. On 8 March 1993 the trial court dismissed the complaint of the Royos for failure to prove the allegations therein by preponderance of evidence. The court likewise found that the filing of the case was unwarranted, uncalled for and without sufficient basis, and thus, ordered the spouses Maximo and Corazon Royo to pay Lucas P25,000.00 for attorney's fees and litigation expenses. As for Lucas's counterclaim, the court a quo denied his claim for compensatory damages arising from unrealized profit from his fishpond and piggery business for being purely speculative, and doubted whether the complaint was the cause for the denial of his loan as he was a close family friend of his creditor.[4] As for his claim for moral damages due to the rumors supposedly spread by the Royos, the court a quo denied his claim on the ground that the spouses were merely expressing their sentiments and belief after being aggrieved.[5]

Both parties appealed to the Court of Appeals. The Royo spouses claimed that the court a quo erred in failing to appreciate the evidence showing the failure of Lucas to remit the amount representing collection from the customers and in awarding damages to him.[6] For his part, Lucas alleged that the court a quo erred in (a) holding that his expected profit from his fishpond and piggery project was purely speculative, (b) failing to award him moral and exemplary damages, and (c) disregarding the testimony of witness Cristina Arguil concerning the damaging rumors spread by the Royo spouses.

On 22 June 1998 the Court of Appeals affirmed the decision of the lower court dismissing the complaint of the Royos but deleted the award of attorney's fees and litigation expenses in favor of Lucas as it found no clear proof of malice in the filing of their suit. Lucas moved for reconsideration, particularly of the decision deleting the award of attorney's fees and litigation expenses but his motion was denied.

Petitioner argues in this petition against the denial of his attorney's fees and litigation expenses as he claims that the records are replete with evidence showing respondents' malice. He likewise claims that the Court of Appeals failed to resolve the other assigned errors identified in his brief in CA-G.R. No. CV-41269: (a) the court a quo's holding that the expected profit of defendant-appellant in his fishpond and piggery projects was purely speculative; (b) its failure to grant compensatory, moral and exemplary damages on the ground that Maximo and Corazon Royo were merely expressing their sentiments and belief that they were aggrieved; and, (c) disregarding the testimony of Cristina Arguil concerning the rumors spread by the spouses.[7]

Thus at the crux of this petition are two (2) issues: (a) whether the filing of a complaint for collection of a sum of money plus damages against petitioner, found to be unsubstantiated and without cause, merits an award of damages and attorney's fees in his favor; and, (b) whether the spreading of rumors derogatory to the character of petitioner entitles him to an award of moral and exemplary damages.

The trial court and the appellate court were one in holding that the complaint that respondents Maximo and Corazon Royo had filed was unwarranted, baseless and without sufficient leg to stand on. Hence, what remains unresolved is whether malice attended the filing of the complaint or whether it was a case of malicious prosecution that petitioner should be entitled to damages.

For a malicious prosecution suit to prosper the following elements must concur: (a) the fact of the prosecution and the further fact that the defendant was himself the prosecutor, and that the action finally terminated in an acquittal; (b) in bringing the action the prosecutor acted without probable cause; and, (c) the prosecutor was actuated or impelled by legal malice, i.e., by improper or sinister motive.[8] The element of malice and the absence of probable cause must be proved.[9] There must be proof that the prosecution was prompted by a sinister design to vex and humiliate a person, and that it was initiated deliberately knowing that the charge was false and baseless to entitle the victims to damages.[10] The two (2) elements must simultaneously exist, otherwise, the presence of probable cause signifies, as a legal consequence, the absence of malice.

In the instant case, Corazon Royo admitted that the sales and collection notebook was checked by their checker everyday after its surrender but, during the period of November 1990 to 21 September 1991, she was not notified of any anomaly.[11] She likewise admitted that she looked at their records only after terminating Eduardo P. Lucas and after the latter had filed complaints against them before the SSS and the NLRC.[12] The foregoing suggest that the entries in the sales and collection notebook were regular to begin with and respondent Corazon Royo was scrutinizing, if not manipulating them, in order to contrive an offense with which to pin petitioner for having filed cases against them. Her actions in the interim in which the civil complaint was filed thus suggest that respondent spouses were motivated more by a desire to harass and vex petitioner rather than by a well-founded anxiety to protect their rights.

While free access to the courts is guaranteed under Sec. 11, Art. III, of the Constitution, it does not give anyone the unbridled license to file any case against another, whatever his motives may be. That right is coupled with the responsibility to show that the institution of the action arose from a legitimate cause of action arising from injury or grief and not done merely to spite or inconvenience another. And whoever files a case against another shall be responsible for the consequences thereof whenever his act of filing infringes upon the rights of others.[13]

Petitioner claims that the filing of the collection case tarnished his name and honor, and ruined his reputation in his community, particularly among the businessmen of Laguna. He presented as witness, Rogelio C. Cariaga, a creditor, who testified that upon learning of the case filed against Lucas he withheld the release of the latter's requested loan as he did not want to risk the loss of his money.[14] In his letter of 18 January 1992 addressed to petitioner and his wife, Cariaga explained the reason for his failure to accommodate Lucas' and his wife's requested loan, to wit -[15]

Ginoo at Ginang Lucas:

Ikinalulungkot ko sa ngayon na pansamanatala na hindi muna kayo mabigyan ng halagang Isang Daang Libong (P100,000.00) Piso, dagdag sa puhunang inotang para sa inyong negosyo.

Ang balita tungkol sa kasong inyong hinaharap sa Royo's Candy ay nangangailangan nang kaunting panahong pag-aaral upang ang nasabing halaga ay aking maisa-alanga-alang at hindi malagay sa pakikipagsapalaran x x x x

Ang inyong lingkod,

(Sgd.) ROGELIO C. CARIAGA

Any personal relationship between petitioner and Cariaga appeared to be of no moment then to the prospective creditor as his primordial concern was the guaranteed payment of the loan that could hardly be expected from one who allegedly defrauded his employers.

Petitioner claims that the loan was intended as additional capital for the development and expansion of his fishpond and piggery business the denial of which resulted in a sizable loss of income for which he should be compensated. As proof thereof, he presented a feasibility report on his planned input and projected earnings.

We find no merit in the argument. Indeed, the failure to develop and expand their fishpond and piggery business was due to the denial of the loan expected from Cariaga. However, the expected profits are at best speculative for which respondents cannot be held accountable. In determining actual damages, the court cannot rely on speculation, conjecture or guesswork as to the amount. Without the actual proof of loss, the award of actual damages becomes erroneous.[16] Actual and compensatory damages are those recoverable because of pecuniary loss in business, trade, property, profession, job or occupation and the same must be sufficiently proved, otherwise, if the proof is flimsy and unsubstantiated, no damages will be given.[17] As it is only the denial of the loan that was sufficiently proved, petitioner must be given an equitable amount as compensatory damages.

With regard to the second issue, petitioner asserts that respondent-spouses had been informing his business associates and neighbors that he defrauded them and had been spreading rumors that he was a swindler and a cheat. He presented Joey Vistal, son of a business associate of his,[18] who testified that he met respondent-spouses on 29 August 1992 at Divisoria, Manila, when they introduced themselves to him. The spouses asked him if he knew their agent Lucas, which he acknowledged. They then told him that Lucas was a manloloko as he would ask for leftover candies from them on the pretense of using the candies as fish feeds when he would actually mix the candies with the unsold ones returned to the spouses.[19] Petitioner also presented Cristina Arguil, a former employee at the ROYO'S. She testified that she was at the house of the spouses, attending a fiesta, when she heard Corazon Royo tell her visitors that she was defrauded and cheated in the amount of P177,000.00 by Eduardo Lucas.[20] Petitioner claims that as a result of respondent spouses' rumormongering, his name and reputation were tarnished and he and his family suffered sleepless nights and mental anguish, which should entitle him to P500,000.00 as moral damages.

One of our most guarded and valued rights is our freedom of expression. However, the freedom to express one's sentiments and belief does not grant one the license to vilify in public the honor and integrity of another. Any sentiments must be expressed within the proper forum and with proper regard for the rights of others. Respondent-spouses exceeded the bounds of ordinary conversation and overstepped their protected right of expression. The allegations that petitioner was a cheat and that he defrauded them of a sum of money, then unfounded, amounted to calumnious remarks which could destroy, so it is claimed, petitioner's name and reputation among his business associates and neighbors. It is apparent that respondent spouses were more motivated by a desire to lash out at petitioner rather than by an impetus to express their sentiments and their belief out of outrage or grief. Malice, which is the doing of an act conceived in the spirit of mischief or criminal indifference to the rights of others or which must partake of a criminal or wanton nature, is presumed from any defamatory imputation, particularly when it injures the reputation of the person defamed.[21] Thus, respondent-spouses should be made to pay moral damages to petitioner and, as respondent-spouses acted in a wanton, fraudulent, reckless or oppressive manner, the amount of P5,000.00 as exemplary damages should likewise be awarded to him to deter others from emulating their example.

Petitioner contends that he was constrained to hire the services of a counsel to defend himself against the imputations made by respondent-spouses. However, he admitted that there was no existing contract between him and his lawyer to prove the claimed amount of P45,000.00 plus appearance fees. Be that as it may, it is readily apparent that petitioner sought the services of a lawyer to argue his cause, even to the extent of elevating the matter to this Court; thus, the former award of P25,000.00 is reinstated as it is considered sufficient.

As regards moral damages, a good reputation once lost is hard to regain. Hence, the amount of P50,000.00 should be considered reasonable. On the other hand, the compensatory damages of P100,000.00 previously awarded should be reduced to P25,000.00 as it is merely intended to compensate for the loss of the projected profits of which are at most speculative.

WHEREFORE, the Decision of the Court of Appeals of 22 June 1998 declaring the collection case filed by respondent-spouses Maximo C. Royo and Corazon B. Royo against petitioner Eduardo P. Lucas as unwarranted but deleting the award for attorney's fees and litigation expenses, is **AFFIRMED**, with the **MODIFICATION** that respondent-spouses are ordered to pay petitioner Eduardo P. Lucas P25,000.00 for compensatory damages, P50,000.00 for moral damages, P5,000.00 for exemplary damages, and P25,000.00 for attorney's fees and litigation expenses.

SO ORDERED.

Mendoza, Quisumbing, Buena, and De Leon, Jr., JJ., concur.

[1] Decision penned by Justice Hilarion L. Aquino, concurred in by Justices Emeterio C. Cui and Ramon U. Mabutas, Second Division, Court of Appeals, CA-G.R. No. CV - 41269, prom. 22 June 1998.

[2] Decision penned by Judge Bienvenido V. Reyes, RTC-Br. 29, San Pablo, Laguna, Civil Case No. SP-3487 (92), dated 8 March 1993. [3] TSN, 19 October 1992, p. 7.

[4] Rollo, p. 65.

[5] Ibid.

[6] Rollo, pp. 66-72.

[7] Id., pp. 75-109.

[8] Albenson Enterprises Corp. v. Court of Appeals, G.R. No. 88694, 11 January 1993, 217 SCRA 16, citing Lao v. Court of Appeals, G.R. No. 82808, 11 July 1991, 199 SCRA 58.

[9] China Banking Corp. v. Court of Appeals, G.R. No. 94182, 28 March 1994, 231 SCRA 472.

[10] Ibid.

[11] Rollo, p. 58.

[12] Id., p. 59.

[13] Ponce v. Legaspi, G.R. No. 79184, 6 May 1992, 208 SCRA 377.

[14] TSN, 5 October 1992, p. 4.

[15] Exh. "2" for defendant Eduardo P. Lucas, Civil Case No. SP-3487.

[16] See Note 8, citing Guilatco v. City of Dagupan, G.R. No. 61516, 21 March 1989, 171 SCRA 382.

[17] Rubio v. Court of Appeals, G.R. No. 50911, 12 March 1986, 141 SCRA 488.

[18] Joey Vistal was the son of the manufacturer of candies from whom Lucas bought his supplies.

[19] Rollo, p. 60.

[20] TSN, 21 September 1992, p. 16.

[21] People v. Monton, No. L-16772, 30 November 1962, 6 SCRA 801.

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