

INDUSTRIAL INSURANCE COMPANY, INC., PETITIONER, VS. PABLO BONDAD AND LIGORIO BONDAD, RESPONDENTS.

G.R. No. 136722. April 12, 2000

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

No person should be penalized for the exercise of the right to litigate. This right, however, must be exercised in good faith. Absence of good faith in the present case is shown by the fact that petitioner clearly has no cause of action against respondents but it recklessly filed suit anyway and wantonly pursued pointless appeals, thereby causing the latter to spend valuable time, money and effort in unnecessarily defending themselves, incurring damages in the process.

The Case

Before us is a Petition for Review under Rule 45 assailing the July 29, 1998 Decision[1] of the Court of Appeals[2] (CA), as well as its December 4, 1998 Resolution in CA-GR CR CV No. 50573. In its Decision, the CA ruled:[3]

"WHEREFORE, the Decision appealed from is AFFIRMED with the MODIFICATION that the award for attending hearings in the amount of P10,500.00 is deleted; and the award for moral and exemplary damages is reduced to P50,000.00 and P10,000.00, respectively."

The trial court ruling[4] modified by the CA reads as follows:

"WHEREFORE, from all the foregoing findings, the Court hereby renders judgment as follows:

1. Ordering the defendants D.M. Transit Corporation, D.M. Consortium Inc. and Eduardo Diaz y Mendoza jointly and severally, to pay plaintiff Industrial Insurance Co., Inc.:

(a)

The sum of P29,800.00 representing the amount it had to pay to Grace Ladaw Morales under its Insurance Policy No. 00857, with interest thereon at the legal rate from April 12, 1985 until fully paid;

(b) The sum of P2,000 as litigation and adjustment expenses; and

(c) The sum of P15,000.00 as and for attorney's fees;

2. Ordering the plaintiff Industrial Insurance Co., Inc., to pay to the defendants-counterclaimants Pablo Bondad and Ligorio Bondad jointly and severally:

(a) The sum of P15,000.00 representing their attorney's fees, and P6,300.00 as appearance fees;

(b) The sum of P10,500.00 representing their expenses for the twenty-one hearings consisting of jeepney hire and meals;

(c)

The sum of P75,000.00 in the concept of moral damages for their having been recklessly and without basis being impleaded by the plaintiff inspite of the clear language in the Traffic Investigation Report (Exhibit "1-A") submitted by Pfc. Agapito Domingo; and

(d) The sum of P25,000.00 by way of exemplary damages.

3.

Ordering the cross-defendants jointly and severally to pay the cross-claimants Bondads the sum of P8,000.00 representing the cost of repairs of the jeepney, with interest at the legal rate from April 2, 1985 until fully paid.

4. Dismissed for lack of merit are:

(a) the cross-claim against the Bondads;

(b) the third party complaint against the GSIS;

(c) the cross-claims against the GSIS; and

(d) the counterclaim interposed by the defendants except that of the Bondads.

5.

The claim made by plaintiff Grace Ladaw Morales is likewise dismissed for lack of evidence in support thereof. She is not held liable in favor of Pablo Bondad and Ligorio Bondad for lack of proof that she authorized the filing of this suit."^[5]

The December 4, 1998 CA Resolution denied petitioner's Motion for Reconsideration.

The Facts

The present Petition finds its roots in an incident which involved three vehicles: a Galant Sigma car driven by Grace Ladaw Morales, a packed passenger jeepney originally driven by Ligorio Bondad, and a DM Transit Bus driven by Eduardo Mendoza.

Pfc. Agapito L. Domingo of the Southern Police District investigated the accident and filed the following report:

"Investigation disclosed that shortly before the accident took place, V-3 (D.M. Transit Bus) was traveling along South Expressway coming from Alabang towards the general direction of Makati. When upon reaching a place at KM Post 14 [in front] of Merville Subd., said V-3 hit and bumped the rear left side portion of V-1 [Bondads' jeepney] which was then at [stop] position due to flat tire [;] due to the severe impact cause by V-3 it swerved to the left and collided with the right side portion of V-2 [Morales' car] which was travelling [in] the same direction taking the innermost lane ddd sss[;] V-2 was dragged to its left side and hit the concrete wall. All vehicles incurred damages and sustaining injuries to the occupant of V-1 and the passengers of V-3. Victims were brought to the hospital for treatment."^[6]

Before the Regional Trial Court of Makati on April 12, 1985, Petitioner Industrial Insurance Company, Inc. and Grace Ladaw Morales filed a Complaint for damages^[7] against DM Transit Corporation, Eduardo Diaz, Pablo Bondad and Ligorio Bondad. Petitioner contended that it had paid Morales P29,800 for the damages to her insured car. It also asserted that the December 17, 1984 accident had been caused "solely and proximately" by the "joint gross and wanton negligence, carelessness and imprudence of both defendant drivers Eduardo Diaz y Mendoza and Ligorio Bondad y Hernandez, who failed to exercise and observe the diligence required by law in the management and operation of their respective vehicles and by their defendant employers; D.M. Transit Corporation and Pablo Bondad, respectively, for their failure to exercise the diligence required of them by law in the selection and supervision of their employees including their aforementioned involved drivers."^[8]

On June 6, 1985, Respondents Pablo and Ligorio Bondad filed their Answer[9] denying any responsibility or liability to petitioner and Morales. They asserted that their vehicle was on full stop because of a flat tire. Thus, it was the bus which hit Morales' car.[10] In their Counterclaim, they contended that petitioner had acted in bad faith in impleading them and that, contrary to its allegation, no prior demand had been made upon them.[11]

In its October 14, 1991 Decision, the trial court exculpated the Bondads and ordered petitioner to pay them actual, moral and exemplary damages, as well as attorney's fees.

Petitioner appealed to the Court of Appeals, which affirmed the ruling of the trial court with modification.

Hence, this Petition for Review.[12]

The CA Ruling

The appellate court debunked petitioner's assertion that it had a cause of action against the Bondads, whose negligence was allegedly the proximate cause of the damage to the insured vehicle.

"The records are clear, however, that soon after the D.M. Transit Bus hit the jeepney of the defendant Bondad, the bus swerved to the left hitting the car of plaintiff Morales. This fact was supported by the investigation report made by Pfc. Agapito L. Domingo of the Southern Police District (Exh. "A") as well as the testimony of defendant Ligorio Bondad which was supported by photographs of defendant Bondad's jeepney which were taken immediately after the incident. (Exh. "3") It was shown that the jeepney remained at the right shoulder of the expressway (northbound) even after it had been hit forward from its position as a result of the impact. According to Ligorio Bondad, when he noticed that his tire was flat, he slowed down and drove towards the rightmost lane of the expressway with great difficulty until he was able to stop at the right shoulder of the road. (TSN, pp. 55-62, March 21, 1989) This was consistent with the affidavit he had made at the Traffic Bureau Station in Fort Bonifacio on the same day of the accident, December 17, 1984. (Exh. "2-A")

"Proximate cause is that which, in natural and continuous sequence, unbroken by an efficient intervening cause, produces injury without which the result would not have occurred. (Sabena Belgian World Airline, 255 SCRA 38; Pilipinas Bank vs. Court of Appeals, 234 SCRA 435) As borne out by the evidence in this case, the proximate cause of the damage to the car of plaintiff Morales was the negligence of the driver of the DM Transit bus. Plaintiff-appellant had no valid cause of action against defendants Bondad."

The CA, however, reduced the lower court's award of damages to the Bondads, ratiocinating as follows:

"We agree with the trial court when it granted the counter-claim of defendants Bondad. The plaintiff-appellant insurance company did not verify the facts before impleading the Bondads in this action for damages. The trial court noted that plaintiff-appellant failed to even make a formal demand from the defendants Bondad before it filed the present case. As stated by the trial court in the aforequoted decision, had a formal demand been made by the plaintiffs on the Bondads, matters could have been clarified. As it were, the Bondads had to come to Makati from Alaminos every time this case was set for hearing and not only suffered inconvenience but incurred expenses, particularly for attorney's fees.

"We, however, believe that the expenses for attending the hearings should be deleted, the same not having been sufficiently proven. Likewise, moral and exemplary damages should be reduced to the more reasonable amounts of P50,000.00 and P10,000.00, respectively."

Issues

In its Memorandum,[13] petitioner presents the following issues for resolution:

"A) Whether or not the assailed decision and resolution of the Honorable Court of Appeals were scrutinized closely with the legal aspect of law, Articles 2202, 2203, 2219 and 2220 of the Civil Code, in light of the

evidence presented in making its decision and its resolution.

"B) Whether or not the Honorable Court of Appeals with due respect, went out of the "path of law" and disregarded past precedents applicable to the case at bar."

In the main, the core issue is the propriety of the award of moral and exemplary damages, as well as attorney's fees, to the respondents. We shall also discuss a preliminary matter: the cause of the accident.

The Court's Ruling

The Petition is not meritorious.

Preliminary Issue:

Cause of Accident

Petitioner insists that the negligence of Ligorio and Pablo Bondad was the proximate cause of the accident that damaged the insured vehicle of Grace Ladaw Morales.

This argument deserves scant consideration. Questions regarding the cause of the accident and the persons responsible for it are factual issues which we cannot pass upon. It is jurisprudentially settled that, as a rule, the jurisdiction of this Court is limited to a review of errors of law allegedly committed by the appellate court. It is not bound to analyze and weigh all over again the evidence already considered in the proceedings below.[14]

True, there are instances when this Court may review factual issues,[15] but petitioner has failed to demonstrate why his case falls under any of them. There is no contrariety between the findings of the trial court and those of the CA as to what and who had caused the December 17, 1984 accident. We find no reason to modify or reverse both courts' finding that the mishap was caused by the negligence of Eduardo Diaz, the bus driver.

Main Issue:

Award of Damages and Attorney's Fees

In justifying the award of attorney's fees and other litigation expenses, the appellate court held that respondents were compelled to litigate an unfounded suit because of petitioner's negligence and lack of prudence in not verifying the facts before filing this action. In affirming the award of moral damages, it accepted the trial court's justification that respondents had "been recklessly and without basis x x x impleaded by the plaintiff in spite of the clear language in the Traffic Investigation Report x x x submitted by Pfc. Agapito Domingo." [16]

We agree.

Attorney's fees may be awarded by a court if one who claims it is compelled to litigate with third persons or to incur expenses to protect one's interests by reason of an unjustified act or omission on the part of the party from whom it is sought.[17]

In this case, the records show that petitioner's suit against respondents was manifestly unjustified. In the first place, the contact between the vehicles of respondents and of Morales was completely due to the impact of the onrushing bus. This fact is manifest in the police investigation report and, significantly, in the findings of facts of both lower courts.

Moreover, even a cursory examination of the events would show that respondents were not even remotely the cause of the accident. Their vehicle was on the shoulder of the road because of a flat tire. In view of their emergency situation, they could not have done anything to avoid getting hit by the bus. Verily, an ordinary person has no reason to think that respondents could have caused the accident. It is difficult to imagine how petitioner could have thought so.

More significantly, petitioner knew that respondents were not the cause of the accident. This is evident from its

failure to even make a prior formal demand on them before initiating the suit. Indeed, the cause of the accident was the negligence of the DM Transit bus driver. In this light, we agree with the following findings of the trial court:

"It is the Court's findings that the D.M. Transit Bus in question was recklessly engaged in a race with a Baliuag Transit Bus and tried to outrun the former by using the shoulder of the road, a tactic that is very common along the South Expressway. Unfortunately for the D.M. Transit Bus, defendant Pablo Bondad's jeepney was at a stop at the shoulder along the path to be taken by the erring bus[;] it was not parked, but was at an emergency stop, the emergency being a flat tire. The consequence of this rash action was the accident to the Bondad jeepney and subsequently to the Lancer car owned and operated by one Grace Morales Ladaw which vehicle was pinned by the D.M. Transit to the concrete island dividing the road. There can be no question that the driver of the D.M. Transit Bus was at fault for the accident.

"It is further the Court's finding that the plaintiffs have absolutely no cause of action against the Bondads. The latter's jeepney never got into contact with Ms. Morales' car. While it is true that before the D.M. Transit Bus hit Ms. Morales car, it had gotten involved in an accident with the Bondad jeepney[;] it is equally true that at the time of the accident the Bondad jeepney was at an emergency stop. This fact was obvious not only from the scene of the accident but also from the police investigation report. There was no need to implead the Bondads as defendants, and if the jeepney had in any way caused, or contributed to, the accident, it could very well be impleaded by the D.M. Transit Bus operator. Worse, no demand for payment was ever made by the plaintiffs on the Bondads. Had a formal demand been made by the plaintiffs on the Bondads, the latter's role could have been clarified. As it is, they had to face a lawsuit and were constrained to come all the way to Makati from Alaminos for not to do so could place them in a situation where judgment may be rendered against them." [18]

In impleading respondents, petitioner clearly acted in wanton disregard of facts that were as obvious then as they are now. To repeat, even a cursory examination of the police investigation report and other pertinent data at the time would show that there was no reason to implead respondents. The carelessness and lack of diligence of petitioner destroy its claim of good faith. Accordingly, the award of attorney's fees should be sustained.

In the same vein, we affirm the award of moral damages. To sustain this award, it must be shown that (1) the claimant suffered injury, and (2) such injury sprung from any of the cases listed in Articles 2219 and 2220 of the Civil Code. It is not enough that the claimant alleges mental anguish, serious anxiety, wounded feelings, social humiliation, and the like as a result of the acts of the other party. It is necessary that such acts be shown to have been tainted with bad faith or ill motive.[19]

In the case at bar, it has been shown that the petitioner acted in bad faith in compelling respondents to litigate an unfounded claim. As a result, Respondent Ligorio Bondad "could no longer concentrate on his job." Moreover, Pablo Bondad became sick and even suffered a mild stroke. Indeed, respondents' anxiety is not difficult to understand. They were innocently attending to a flat tire on the shoulder of the road; the next thing they knew, they were already being blamed for an accident. Worse, they were forced to commute all the way from Laguna to Makati in order to attend the hearings. Under the circumstances of this case, the award of moral damages is justified.

Likewise, we affirm the award of exemplary damages because petitioner's conduct needlessly dragged innocent bystanders into an unfounded litigation. Indeed, exemplary damages are imposed by way of example or correction for the public good, in addition to moral, temperate, liquidated or compensatory damages.[20]

In sum, the Court affirms the award of moral damages, exemplary damages, attorney's fees and litigation expenses. The facts of this case clearly show that petitioner was motivated by bad faith in impleading respondents. Indeed, a person's right to litigate, as a rule, should not be penalized. This right, however, must be

exercised in good faith.[21]

One final note. Respondents pray that the amount of actual, moral and exemplary damages awarded by the trial court be reinstated.[22] We cannot do so in this case because they did not appeal the CA Decision. Jurisprudentially, they are deemed to be satisfied with it and thus cannot be allowed to attack it belatedly in their Memorandum.

WHEREFORE, the Petition is hereby DENIED and the assailed Decision AFFIRMED. Double costs against petitioner.

SO ORDERED.

Melo, (Chairman), Purisima, and Gonzaga-Reyes, JJ., concur.

Vitug, J., abroad-on official business.

[1] Rollo, pp. 17-27.

[2] Eighth Division. The Decision was written by J. Salome A. Montoya (chairman and now Presiding Justice) with the concurrence of JJ Conchita Carpio Morales and Bernardo P. Abesamis.

[3] Rollo, p. 27.

[4] Written by Judge Salvador De Guzman Jr. of the Regional Trial Court of Makati (Branch 142).

[5] Records, p. 58.

[6] RTC Records, p. 6.

[7] Ibid., pp. 1-4.

[8] Ibid., p. 3.

[9] Ibid., pp. 13-19.

[10] Ibid., p. 14.

[11] Ibid., p. 16.

[12] The case was deemed submitted for decision on January 11, 2000, upon the receipt by the Court of the Memorandum for the respondents, signed by Atty. Nelson Cordero Belarmino. The petitioner's Memorandum, signed by Atty. Emerico P. Lomibao, was received by the Court on December 16, 1999.

[13] Rollo, p. 53.

[14] Olan v. Court of Appeals, 287 SCRA 504, March 12, 1998; David-Chan v. Court of Appeals, 268 SCRA 677, February 26, 1997; Benitez v. Court of Appeals, 266 SCRA 243, January 16, 1997; Dela Cruz v. Court of Appeals, 265 SCRA 299, December 4, 1996; Imperial v. Court of Appeals, 259 SCRA 65, July 17, 1996.

[15] See Fuentes v. Court of Appeals, 268 SCRA 703, February 26, 1997.

[16] RTC Decision, p. 16; Records, p. 58.

[17] Art. 2208, Civil Code.

[18] RTC Decision, p. 15; records, p. 57.

[19] Bernardo v. Court of Appeals, 275 SCRA 413, July 14, 1997.

[20] Kierulf v. Court of Appeals, 269 SCRA 433, March 13, 1997.

[21] ABS-CBN Broadcasting Corporation v. Court of Appeals, 301 SCRA 572, January 21, 1999; "J" Marketing Corp. v. Sia, Jr., 285 SCRA 580, January 29, 1998; Saba v. Court of Appeals, 189 SCRA 50, August 24, 1990.

[22] Respondents' Memorandum, pp. 6-7; Rollo, pp. 65-66.

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