

CHANDRA O. CACHO PETITIONER, VS. JOAQUIN BONIFACIO AND TERESITA BONIFACIO, RESPONDENTS.

G.R. No. 139158. November 29, 2005

Ponente: CORONA, J.

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CORONA, J.:

The February 17, 1999 decision[1] of the Court of Appeals in CA-G.R. CV No. 48685 and its March 31, 1999 resolution denying the motion for reconsideration are assailed in this petition for review on certiorari under Rule 45 of the Rules of Court.

Respondents, spouses Joaquin and Teresita Bonifacio, own a commercial building located at the corner of Aguirre and El Grande Streets, BF Homes, Parañaque City. On August 4, 1988, they leased three adjoining stalls of the building to Edira Food Corporation owned by the spouses David and Evita David. The lease contracts[2] provided for a total monthly rental of P17,000 for two years and to expire on June 1990. The leased premises were converted by the spouses David into a restaurant.

On May 7, 1991, respondents filed a complaint for unlawful detainer against David David with the Metropolitan Trial Court (MTC) of Parañaque, Branch 77. It was docketed as Civil Case No. 8100. The complaint alleged non-payment, despite repeated demands, of rental arrearages in the aggregate amount of P187,000. The case was initially dismissed for failure of respondents to prosecute the same but it was subsequently revived on February 7, 1992.

Meanwhile, petitioner Chandra Cacho and David, as lessees, and respondents, as lessors, executed new contracts of lease over the same premises on August 12, 1991. Pursuant to their agreement, petitioner paid respondents the amount of P156,000 to cover the unpaid rental arrearages of David. Thereafter, she took over the management and operation of the restaurant. She had the leased premises renovated and bought two new air-conditioning units and other equipment needed for the operation of the restaurant. She also paid the agreed monthly rentals to respondents.

In the meantime, judgment was rendered by the MTC against David in Civil Case No. 8100 on February 25, 1992. The court ruled in favor of respondents and ordered David to vacate the leased premises and return its possession to respondents. The MTC further ordered David to pay respondents the sum of P187,000 representing rental arrearages up to April 1991, P17,000 every month thereafter until the premises were vacated, P10,000 as attorney's fees and costs of suit.

On March 10, 1992, a writ of execution was issued by the MTC. It was implemented two days later by sheriff Reynaldo T. Nepomuceno by serving the same on petitioner's son and levying upon the personal properties found inside the leased premises. The levied properties were sold to petitioner as the highest bidder in a public auction held on March 19, 1992 but she failed to pay the purchase price of P120,000. Another public auction was held on April 22, 1992 and the levied properties were sold to respondents as the highest bidders.

On June 4, 1992, petitioner filed a complaint for annulment of the MTC decision and damages with the Regional Trial Court (RTC) of Makati City, Branch 60, against respondents. It was docketed as Civil Case No. 92-1522. The complaint alleged that the decision and the subsequent writ of execution were obtained by fraud, deceit, chicanery, malice, bad faith, unlawful intent, false testimony, perjury, theft and other crimes, as a consequence of which she suffered damages.

On October 24, 1994, the RTC rendered its decision.[3] Finding that the nature of the fraud which accompanied the MTC decision was not extrinsic, the RTC dismissed the complaint insofar as it prayed for the annulment of judgment in Civil Case No. 8100. However, it declared the implementation of the March 10, 1992 writ of execution void. While the court held that petitioner had no right to sue for annulment of the MTC decision, it ruled that she could sue for the annulment of its execution because it adversely affected her. The court also found that respondents had the writ of execution implemented against petitioner in bad faith. The dispositive portion of the RTC decision provided:

41. WHEREFORE, the Court hereby renders judgment as follows:

41.1. The COMPLAINT is DISMISSED in so far as it prayed that the DECISION dated February 25, 1992 rendered in Civil Case No. 8100, Metropolitan Trial Court, Parañaque, Metro Manila be ANNULLED.

41.2 The implementation of the WRIT OF EXECUTION dated March 10, 1992 issued in Civil Case No. 8100 against the plaintiff CHANDRA O. CACHO is declared VOID.

41.3 The defendants JOAQUIN S. BONIFACIO and TERESITA BONIFACIO are ordered to pay, jointly and severally, to the said plaintiff the following amounts:

41.3.1. P238,000.00 – the amount of the unrealized profits from April 15, 1992 to August 11, 1992.

41.3.2. P60,301.00 - The value of the two (2) air-conditioners covered by Exh. P.

41.3.3. P50,000.00 - As moral damages.

41.3.4. P20,000.00 - As exemplary damages.

41.3.5. P25,000.00 - As attorney's fees.

42. The plaintiff is ordered to pay the defendants the following:

42.1. P78,500.00 - As rentals of the leased premises at the rate of P17,000.00 a month from December 1991 to April 15, 1992.

43. The Counterclaim for moral damages and attorney's fees is DISMISSED.

44. Cost is taxed against the defendants.[4]

Aggrieved, respondents challenged the RTC decision in the Court of Appeals. They alleged that the RTC erred in awarding damages to petitioner while dismissing the prayer for annulment of judgment and ruling that the MTC judgment was not secured by extrinsic fraud.

In its assailed decision, the appellate court affirmed the judgment of the RTC in Civil Case No. 92-1522 with respect to the dismissal of the complaint for annulment of the decision of the MTC in Civil Case No. 1800. However, on account of such dismissal, the appellate court reversed and deleted the award of actual, moral, and exemplary damages, attorney's fees and costs, as well as the grant of respondents' counterclaim for unpaid rentals. It held that the dismissal of the main action precluded an award of damages based on the alleged fraudulent acts

constituting petitioner's cause of action.

Petitioner moved for the reconsideration of the appellate court's decision but her motion was denied. Hence, this petition.

The sole issue for the resolution of this Court is whether petitioner is entitled to damages and attorney's fees.

Petitioner asserts that the Court of Appeals erred in ruling that the dismissal of the complaint for annulment of judgment precluded the award of damages and attorney's fees in her favor. She also maintains that the appellate court was wrong when it failed to rule that respondents were liable to her for damages and attorney's fees.

The petition is impressed with merit.

The deletion by the appellate court of the award of damages and attorney's fees was premised on the dismissal of the complaint for annulment of the judgment of the MTC. Apparently, for the appellate court, since the prayer for annulment of judgment was dismissed on the ground that the MTC decision was not attended by extrinsic fraud, then there were no fraudulent acts that could support an award of damages. This is erroneous.

Even if the complaint for annulment of the MTC judgment was dismissed, the award of damages and attorney's fees was still legally tenable. First, there was a confusion about the cause of action that gave rise to the award of damages. In this case, the award was neither dependent on nor premised on the action to annul the MTC decision. A perusal of the complaint in Civil Case No. 92-1522, the records of the case and the evidence adduced during the trial shows that the petitioner had two causes of action, namely: (1) the annulment of the decision of the MTC in Civil Case No. 8100 as well as of the March 10, 1992 writ of execution and (2) damages as a consequence of the bad faith and fraud on the part of the respondents.

These causes of action, while arising from a series of related acts, are separate and distinct from each other. They involve two separate and distinct issues: (a) whether the judgment of the MTC in Civil Case No. 8100 was obtained by respondents by means of fraud and (b) whether respondents acted in a fraudulent manner, thereby causing damage to petitioner. There being two causes of action, it could not be said that the prayer for the annulment of the MTC decision was the 'main action' on which the award of damages depended. In fact, a careful perusal of the RTC decision reveals that the award of damages was based on the RTC's finding that respondents had the writ of execution enforced against petitioner in bad faith.

Second, there was a confusion about the kind of fraud that led to the dismissal of the prayer for annulment of judgment and the fraud that justifies the liability of respondents for damages. The dismissal of the prayer for the annulment of the MTC decision was based on the absence of extrinsic fraud, the kind of fraud necessary to annul a judgment. This did not mean, however, that respondents committed no fraud at all. On the contrary, bad faith and fraud on the part of respondents, resulting in damage to petitioner, were sufficiently established.

The RTC found that respondents had the writ of execution implemented against petitioner even if she was not a party in Civil Case No. 1800 and that, in doing so, respondents acted in bad faith. In the course of the implementation of the writ of execution, they ordered the sheriff to padlock the leased premises on April 15, 1992. The closure of the premises caused damage to petitioner by way of unrealized profits of P2,000 for each day the restaurant did not operate.

The appellate court itself found that respondents' act of reviving Civil Case No. 1800 without impleading petitioner (who, as respondents were very much aware, was the one already occupying and actively managing the restaurant) was "very revealing of their dishonest intention and bad faith that resulted to (sic) [the] prejudice and damage" of petitioner.[5] The appellate court also made the following findings:

... the lease contract of August 12, 1991 is binding and in force at the time [respondents] caused the execution of the judgment in the ejectment case.

... [Respondents], fully cognizant of [petitioner's] contractual rights and her active management of the leased premises, could have acted more prudently and, in keeping with the dictates of fairness and justice, should have earlier informed [petitioner] of the unilateral cancellation of the lease agreement of August 12, 1991 and should have included her when they revived the ejectment case against David David. But they deliberately omitted mentioning the existence of the new lease contract which included [petitioner] as additional lessee and ignoring the rights of the latter, they proceeded to prosecute the ejectment action against David David alone, to the great prejudice and damage of [petitioner].[6]

Clearly, both the trial and appellate courts observed that, in pursuing their case against David and seeking the implementation of the MTC decision, respondents committed various acts in bad faith and in deliberate disregard of their existing contractual relationship with petitioner. Both courts further determined that petitioner was prejudiced and had incurred damages as a consequence of the acts of respondents in bad faith, that is, acts which imported a dishonest purpose or some moral obliquity and conscious doing of a wrong, a breach of known duty due to some motive or interest or ill-will that partook of the nature of fraud.[7] In such a case, the law is clear: 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.[8]

WHEREFORE, the petition is hereby GRANTED. The February 17, 1999 decision and March 31, 1999 resolution of the Court of Appeals in CA-G.R. CV No. 48685 are REVERSED and SET ASIDE. The October 24, 1994 decision of the Regional Trial Court of Makati City, Branch 60, in Civil Case No. 92-1522 is REINSTATED.

SO ORDERED.

Panganiban, (Chairman), Carpio Morales, and Garcia, JJ., concur.
Sandoval-Gutierrez, J., no part.

[1] Penned by Associate Justice Martin S. Villarama, Jr. and concurred in by Associate Justices Angelina Sandoval-Gutierrez (now an Associate Justice of this Court) and Romeo A. Brawner of the Ninth Division.

[2] Each of the three stalls was covered by a lease contract.

[3] Annex "L", Petition for Review on Certiorari, Rollo, pp. 164-177.

[4] Id.

[5] Court of Appeals decision in CA-G.R. CV No. 48685, Rollo, pp. 73-86.

[6] Id.

[7] *Arra Realty Corporation v. Guarantee Development Corporation and Insurance Agency*, G.R. No. 142310, 20 September 2004, 438 SCRA 441 citing *Cojuangco, Jr. v. Court of Appeals*, 369 Phil. 41 (1999).

[8] Article 1170, Civil Code.

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