

SOLEDAD LEONOR PEÑA SUATENGCO AND ANTONIO ESTEBAN SUATENGCO, COMPLAINANTS, VS. CARMENCITA O. REYES, RESPONDENT.

G.R. No. 162729. December 17, 2008

Ponente: LEONARDO-DE CASTRO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-162729/>

LEONARDO-DE CASTRO, J.:

This resolves the petition for review on certiorari seeking the modification of the Decision[1] dated October 29, 2003 and the Resolution[2] dated March 10, 2004 of the Court of Appeals (CA) in CA-G.R. CV No. 53185. The assailed decision affirmed with modification the Decision[3] of the Regional Trial Court (RTC) of Marinduque, Branch 30 in Civil Case No. 95-4 in an action for collection of a sum of money with damages commenced by herein respondent, Carmencita O. Reyes against herein petitioners, spouses Soledad Leonor Peña Suatengco (also known as Sylvia Peña Suatengco) and Antonio Esteban Suatengco.

The essential facts of the case, as recounted by the trial court, are as follows:

This is an action for Sum of Money with Damages filed by Carmencita O. Reyes against defendants [petitioners] Spouses Soledad Leonor Peña and Antonio Esteban Suatengco, wherein plaintiff (respondent) claimed that sometime in the first quarter of 1994, defendant Sylvia (Soledad) approached her for the purpose of borrowing a sum of money in order to pay her obligation to Philippine Phosphate Fertilizer Corporation (Philphos for brevity). On May 31, 1994, plaintiff paid Philphos the amount of P1,336,313.00 and by reason thereof defendants Spouses Sylvia (Soledad) and Antonio executed on June 24, 1994 a Promissory Note binding themselves jointly and severally to pay plaintiff the said amount in 31 monthly installments beginning June 30, 1994. Of the amount, however, only one (1) payment in the amount of P15,000.00 on July 27, 1994 have been made by defendants. That pursuant to a specific clause in the Promissory Note, defendants have unequivocally waived the necessity of demand to be made upon them to pay as well as a Notice of Dishonor and presentation with acceleration clause. As of March 31, 1995 defendants owe plaintiff P1,321,313.00 exclusive of interest, other charges which is already due and demandable but remains unpaid, hence this collection suit with prayer for moral damages and attorney's fees.

A perusal of the record showed that notwithstanding the leniency graciously observed by this court in giving defendants several extensions of time to file their answer with responsive pleading, they failed to do the same thus, upon motion of plaintiff's counsel, defendants were declared as in default on October 27, 1995 and the ex-parte reception of plaintiff's evidence was delegated to the Clerk of Court.

At the ex-parte hearing, ATTY. EDMUNDO O. REYES, JR., a lawyer by profession connected with the Siguion Reyna, Montecillo and Ongsiako Law Offices, testified that he is the attorney-in-fact of his mother Congresswoman Carmencita O. Reyes, herein plaintiff, to enter into and execute, among other acts, any agreement with the defendant Soledad Leonor Peña Suatengco to collect the amount of around P1.4 MILLION and to hold the same in trust for her as shown by a Special Power of Attorney marked Exhibits A to A-2.

Confronted with a document styled as "Promissory Note" dated June 24, 1994 (Exhibit "B"), he identified the

signatures of Soledad Peña Suatengco (also known as Sylvia Peña Suatengco) (Exhs. B-1, B-5, B-10 and B-13), Antonio Suatengco (Exhs. B-2, B-6, B-11 and B-14), Atty. Domingo Ganuelas (Exhs. B-3, B-7, B-9 and B-15) and his own signatures (Exhs. B-4, B-8, B-12 and B-16). That their signatures were signed in his presence on June 24, 1994 at the Siguion Reyna, Montecillo and Ongsiako Law Offices. Atty. Domingo Ganuelas was there at the time to assist and advise defendants before executing the Promissory Note.

He explained that defendants own and manage Goldfields Business Development Corporation. Of the P1,336,313.00 paid by plaintiff to Philphos on May 31, 1994, which defendants jointly and severally assumed to pay plaintiff under the Promissory Note (Exh. B), only P15,000.00 had been paid by them thereby leaving an outstanding balance of P1,321,313.00 plus 12% interest per annum computed from May 31, 1994 and attorney's fees equivalent to 20% of defendants total outstanding balance inclusive of interest, which he believes to be reasonable based on experience considering that the case will be prosecuted outside Metro Manila and the long distance would entail quite an amount of travel for retained counsel.

To corroborate the testimony of Atty. Edmundo O. Reyes, Jr. and to prove the obligation due as well as the damages prayed for, plaintiff Congresswoman CARMENCITA O. REYES representative of the lone district of Marinduque testified that she has been a member of Congress since 1978 until it was abolished in 1986 but after which re-elected in 1987, 1992 and 1995.

She identified her signature on Exhibit A - Special Power of Attorney (Exhs. A-1 and A-2) as well as her signature on the verification portion of her complaint (page 8, Record) and affirmed that she had caused the preparation of the same and that the contents thereof are true and correct.

That on May 31, 1994, she paid Philphos the amount of P1,336,313.00 representing defendants' obligation with Philphos. In return for the sum she had advanced, defendants agreed to issue the Promissory Note (Exh. B) for the total amount of indebtedness but out of the said amount of P1,336,313.00 only P15,000.00 had been paid by them. As a result, her feeling was hurt and wounded. She felt degraded because after helping them to get out of their indebtedness without asking for any interest, it would seem that they lost interest in paying their obligations. She was even more deeply hurt when she found out that the sheriff of this court who went to their place to take some actions regarding this case, was even threatened exposing her constituent to such danger. Said amount is substantial enough to help her constituents because as much as possible she would not deny them everytime they come to her since it would really be a matter of life and death for them.[4]

As can be gleaned from the above narration, the RTC declared the petitioners in default for failure to file their Answer to the complaint. Thereafter, trial ex parte was delegated to the Clerk of Court to receive respondent's evidence. Testimonial and documentary evidence were all admitted.

On November 29, 1995, the lower court rendered its decision, the dispositive portion of which reads as follows:

WHEREFORE, judgment is hereby rendered in favor of plaintiff and against defendants ordering defendants:

- a) To pay plaintiff actual damages in the amount of P1,321,313.00 plus interest at 12% per annum from May 31, 1994 representing the total outstanding balance of defendants' indebtedness to plaintiff by virtue of the Promissory Note dated June 24, 1994.
- b) To pay plaintiff moral damages in the amount of P1,000,000.00;
- c) To pay plaintiff attorney's fees in the amount of 20% of the sum collected; and
- d) To pay costs of suit.

SO ORDERED.[5]

In their appeal to the CA, petitioners did not question the amount of the judgment debt for which they were held

liable but limited the issue to the award of attorney's fees.

On October 29, 2003, the CA promulgated a decision affirming with modification the trial court's decision. It upheld the award of attorney's fees equivalent to 20% of the balance of petitioners' obligation and modified the decision of the trial court by lowering the award of moral damages from One Million Pesos (P1,000,000.00) to Two Hundred Thousand Pesos (P200,000.00). Dispositively, the decision reads:

WHEREFORE, the assailed decision of Branch 30, of the Regional Trial Court of Marinduque in Civil Case No. 95-4 is hereby AFFIRMED with MODIFICATION. The defendant-appellants are ordered to pay plaintiff-appellee moral damages in the amount of P200,000.00. [6]

Petitioners moved for the reconsideration of the CA's decision, but the same was denied by the CA in its Resolution dated March 10, 2004.

Aggrieved, petitioners elevated the case to this Court via a petition for review on certiorari under Rule 45 of the Rules of Court, submitting thusly-

- The Court of Appeals acted with grave abuse of discretion and committed a mistake of law in awarding 20% attorney's fees contrary to the 5% as stipulated in the promissory note, Exhibit "B."
- The Court of Appeals acted with grave abuse of discretion and committed a mistake of law in not reducing the award of the 12% penalty interest.

Clearly from the foregoing formulation of the issues in the present petition, petitioners do not dispute the amount of their indebtedness. They only seek a modification of the decision of the CA insofar as it upheld the RTC's award of attorney's fees equivalent to 20% of their total indebtedness/obligation and the 12% per annum interest of the said obligation.

In support of their contention that the award of attorney's fees was illegal or erroneous, petitioners point to the unqualified rate of 5% stipulated in the promissory note as the "stipulated amount" which was way lower than the 20% as awarded by the RTC. Petitioners cited the case of *Chua v. Court of Appeals*[7] where the Court ruled that is not the province of the court to alter a contract by construction or to make a new contract for the parties; its duty is confined to the interpretation of the one which they have made for themselves, without regard to its wisdom or folly, as the court cannot supply material stipulations or read into contract words which it does not contain. The testimony of Atty. Edmundo O. Reyes that the attorney's fees should be 20% of the outstanding balance cannot prevail over the 5% stipulated in the promissory note. Citing the case of *Bañas v. Asia Pacific Finance Corporation*,[8] petitioners maintained that oral evidence cannot prevail over the written agreement of the parties.

On the other hand, respondent contend that petitioners have already waived their rights to question the award for attorney's fees because in their Appellant's Brief filed before the CA, they stated that the stipulated attorney's fees was 20% (not 5%) of the total balance of the outstanding indebtedness. Respondent adds that despite such stipulation, said attorney's fees are subject to judicial control. According to respondent it was not surprising for the CA to focus on the issue of reasonableness of the said attorney's fees because petitioners' line of argument was focused on the same.

The petition is partly meritorious.

The fifth paragraph of the Promissory Note executed by petitioners in favor of respondent undeniably carried a stipulation for attorney's fees and interest in case of the latter's default in the payment of any installment due. It specifically provided that:

Failure on the part of Sylvia and/or Antonio Suatengco to pay any installment due will render the entire unpaid balance immediately, due and demandable and Cong. Reyes becomes entitled not only for the unpaid balance but also for 12% interest per annum of the outstanding balance of P1,336,313.00 from May 31, 1994 until fully paid plus attorney's fees equivalent to 5% of the total outstanding indebtedness.

Strictly speaking, the attorney's fees herein litigated are in the nature of liquidated damages and not the attorney's fees recoverable as between attorney and client enunciated and regulated by the Rules of Court.[9] Liquidated damages are those agreed upon by the parties to a contract to be paid in case of breach thereof.[10] The stipulation on attorney's fees contained in the said Promissory Note constitutes what is known as a penal clause. A penalty clause, expressly recognized by law, is an accessory undertaking to assume greater liability on the part of the obligor in case of breach of an obligation. It functions to strengthen the coercive force of obligation and to provide, in effect, for what could be the liquidated damages resulting from such a breach. The obligor would then be bound to pay the stipulated indemnity without the necessity of proof on the existence and on the measure of damages caused by the breach.[11] It is well-settled that so long as such stipulation does not contravene law, morals, or public order, it is strictly binding upon the obligor. The attorney's fees so provided are awarded in favor of the litigant, not his counsel.[12]

In this case, there is a contractual stipulation in the Promissory Note that in case of petitioners' default on the terms and conditions of the said Promissory Note by failing to pay any installment due, then this will render the entire balance of the obligation immediately due and payable. The total obligation of petitioners amounted to P1,321,313.00 (P1,336,313.00 less P15,000.00) plus the 12% interest per annum of the said balance, as well as attorney's fees equivalent to 5% of the total outstanding indebtedness. The Promissory Note was signed by both parties voluntarily, thus the stipulation therein has the force of law between the parties and should be complied with by them in good faith.

The RTC and CA, in awarding attorney's fees equivalent to 20% of petitioners' total obligation, disregarded the stipulation expressly agreed upon in the Promissory Note and instead increased the award of attorney's fees by giving weight and value to the testimony of prosecution witness Atty. Reyes. In agreeing to the reasonableness of the attorney's fees, the CA erroneously took into account the time spent, the extent of the services rendered, as well as the professional standing of the lawyer. Oral evidence certainly cannot prevail over the written agreements of the parties. The courts need only to rely on the faces of the written contracts to determine their true intention on the principle that when the parties have reduced their agreements in writing, it is presumed that they have made the writings the only repositories and memorials of their true agreement.[13]

Moreover, it is undeniable from the evidence submitted by respondent herself to the trial court that the agreement of the parties with respect to attorney's fees is only 5% of the total obligation and the trial court granted the 20% rate based on the testimony of respondent's counsel who opined that the same is the reasonable amount of attorney's fees, despite the unequivocal agreement of the parties. Even granting that petitioners may have erroneously stated that the stipulated attorney's fees is 20% in their appellants' brief before the CA, they have nonetheless squarely raised the matter of the lower rate of attorney's fees agreed upon by the parties in the promissory note before that court in their motion for reconsideration. In our mind, there was essentially no change in petitioners' theory of the case before the CA since in their appellants' brief and their motion for reconsideration, their main contention remains the same: that the attorney's fees awarded by the trial court and affirmed by the CA were unwarranted and contrary to law. Neither can we give credence to respondent's assertion that the 5% attorney's fees agreed upon in the promissory note were intended only to be the minimum rate as the promissory note never mentioned a minimum.

In sum, we find it improper for both the RTC and the CA to increase the award of attorney's fees despite the

express stipulation contained in the said Promissory Note which we deem to be proper under these circumstances, since it is not intended to be compensation for respondent's counsel but was rather in the nature of a penalty or liquidated damages.

On the matter of interest, we affirm the amount of interest awarded by the two courts below, there being a written stipulation as to its rate. In *Eastern Shipping Lines, Inc. v. Court of Appeals*,^[14] we laid down the following guidelines on the imposition of legal interest:

xxx xxx xxx

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

- When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due is that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
- When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum xxx
- When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

The stipulated interest in this case is 12% per annum. As of July 1994, the total indebtedness of petitioners amounted to P1,321,313.00. From then on, the P1,321,313.00 should have earned the stipulated interest of 12% per annum plus attorney's fees equivalent to 5% of the total outstanding indebtedness. However, once the judgment becomes final and executory and the amount adjudged is still not satisfied, legal interest at the rate of 12% applies until full payment. The rate of 12% per annum is proper because the interim period from the finality of judgment, awarding a monetary claim and until payment thereof, is deemed to be equivalent to a forbearance of credit. The actual base for the computation of this 12% interest is the amount due upon finality of this decision.^[15]

WHEREFORE, the Decision dated October 29, 2003 of the Court of Appeals is hereby MODIFIED in that the amount of attorney's fees is reduced to five percent (5%) of the total balance of the outstanding indebtedness but the said Decision is AFFIRMED in all other respects.

No costs.

SO ORDERED.

Puno, C.J., (Chairperson), Carpio, Chico-Nazario, and Velasco, Jr., JJ., concur.

[*] Additional member in lieu of Justice Renato C. Corona as per Special Order No. 541.

** Additional member in lieu of Justice Adolfo S. Azcuna as per Special Order No. 542.

[1] Penned by Associate Justice Danilo B. Pine (retired) and concurred in by Associate Justices Cancio C. Garcia (now retired Associate Justice of the Supreme Court) and Renato C. Dacudao (retired); rollo, pp. 19-24.

- [2] Id. at 26.
- [3] CA Record, pp. 31-35.
- [4] Id. at 31-34.
- [5] Id. at 35.
- [6] Rollo, p. 24.
- [7] G.R. No. 109840, January 21, 1999, 301 SCRA 356, 364.
- [8] G.R. No. 128703, October 18, 2000, 343 SCRA 527.
- [9] Supra at 537.
- [10] Article 2226 of the Civil Code.
- [11] Ligutan v. Dela Llana, G.R. No. 138677, February 12, 2002, 376 SCRA 560, 567-568.
- [12] Supra note 8.
- [13] Supra note 8 at 535.
- [14] G.R. No. 97412, July 12, 1994, 234 SCRA 78, 95-97.
- [15] Consing v. Court of Appeals, G.R. No. 143584, March 10, 2004, 425 SCRA 192, 206.

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.