

PHILIPPINE FIRST INSURANCE CO., INC. AND PARAMOUNT GENERAL INSURANCE CORPORATION, PETITIONERS, VS. PYRAMID LOGISTICS AND TRUCKING CORPORATION (FORMERLY PANACOR INTEGRATED WAREHO...

G.R. No. 165147. July 09, 2008

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The issue, in the main, in the present case is whether respondent, Pyramid Logistics and Trucking Corporation (Pyramid), which filed on November 7, 2001 a complaint,[1] denominated as one for specific performance and damages, against petitioners Philippine First Insurance Company, Inc. (Philippine First) and Paramount General Insurance Corporation (Paramount) before the Regional Trial Court (RTC) of Makati, docketed as Civil Case No. 01-1609, paid the correct docket fee; if in the negative, whether the complaint should be dismissed or Pyramid can still be ordered to pay the fee.

Pyramid sought to recover the proceeds of two insurance policies issued to it, Policy No. IN-002904 issued by petitioner Paramount, and Policy No. MN-MCL-HO-00-0000007-00 issued by petitioner Philippine First. Despite demands, petitioners allegedly failed to settle them, hence, it filed the complaint subject of the present petition.

In its complaint, Pyramid alleged that on November 8, 2000, its delivery van bearing license plate number PHL-545 which was loaded with goods belonging to California Manufacturing Corporation (CMC) valued at PESOS NINE HUNDRED SEVEN THOUSAND ONE HUNDRED FORTY NINE AND SEVEN/100 (P907,149.07) left the CMC Bicutan Warehouse but the van, together with the goods, failed to reach its destination and its driver and helper were nowhere to be found, to its damage and prejudice; that it filed a criminal complaint against the driver and the helper for qualified theft, and a claim with herein petitioners as co-insurers of the lost goods but, in violation of petitioners' undertaking under the insurance policies, they refused without just and valid reasons to compensate it for the loss; and that as a direct consequence of petitioners' failure, despite repeated demands, to comply with their respective undertakings under the Insurance Policies by compensating for the value of the lost goods, it suffered damages and was constrained to engage the services of counsel to enforce and protect its right to recover compensation under said policies, for which services it obligated itself to pay the sum equivalent to twenty-five (25%) of any amount recovered as and for attorney's fees and legal expenses.[2]

Pyramid thus prayed

. . . that after due proceedings, judgment be rendered, ordering [herein petitioners] to comply with their obligation under their respective Insurance Policies by paying to [it] jointly and severally, the claims arising from the subject losses.

THAT, [herein petitioners] be adjudged jointly and severally to pay to [it], in addition to the foregoing, the following:

- The sum of PHP 50,000.00 plus PHP 1,500.00 for each Court session attended by counsel until the instant [case] is finally terminated, as and for attorney's fees;
- The costs of suit[;][3] (Underscore supplied)

and for other reliefs just and equitable in the premises.[4]

Pyramid was assessed P610 docket fee, apparently on the basis of the amount of P50,000 specified in the prayer representing attorney's fees, which it duly paid.[5]

Pyramid later filed a 1st Amended Complaint[6] containing minor changes in its body[7] but bearing the same prayer.[8] Branch 148 of the Makati RTC to which the complaint was raffled admitted the Amended Complaint.[9]

Petitioners filed a Motion to Dismiss on the ground of, inter alia, lack of jurisdiction, Pyramid not having paid the docket fees in full, arguing thus:

x x x x

In the body of the Amended Complaint, plaintiff alleged that the goods belonging to California Manufacturing Co., Inc. (CMC) is [sic] "valued at Php907,149.07" and consequently, "plaintiff incurred expenses, suffered damages and was constrained to engage the services of counsel to enforce and protect its right to recover compensation under the said policies and for which services, it obligated itself to pay the sum equivalent to twenty-five (25%) of any recovery in the instant action, as and for attorney's fees and legal expenses".

On the other hand, in the prayer in the Complaint, plaintiff deliberately omitted to specify what these damages are. x x x

x x x x

Verily, this deliberate omission by the plaintiff is clearly intended for no other purposes than to evade the payment of the correct filing fee if not to mislead the docket clerk, in the assessment of the filing fee. In fact, the docket clerk in the instant case charged the plaintiff a total of Php610.00 only as a filing fee, which she must have based on the amount of Php50,000.00 [attorney's fees] only.[10] (Emphasis in the original; italics and underscore supplied)

Petitioners cited[11] *Manchester Development Corporation v. Court of Appeals*[12] which held:

x x x [A]ll complaints, petitions, answers and other similar pleadings should specify the amount of damages being prayed for not only in the body of the pleading but also in the prayer, and said damages shall be considered in the assessment of the filing fees in any case. Any pleading that fails to comply with this requirement shall not be accepted or admitted, or shall otherwise be expunged from the record.[13] (Emphasis and underscore supplied)

They cited too *Sun Insurance Office, Ltd. v. Asuncion*[14] which held that "[i]t is not simply the filing of the complaint or appropriate pleading, but the payment of the prescribed docket fee, that vests a trial court with jurisdiction over the subject-matter or nature of the action." [15]

Petitioners thus concluded:

With the above cases as a backdrop, the Supreme Court, in revising the rules of pleading and practice in the 1997 Rules of Civil Procedure, added a tenth ground to a Motion to Dismiss - to wit, "[t]hat a condition precedent for filing claim [sic] has not been complied with.["]

On the contrary, if plaintiff would insist that its claim against the defendants is only Php50,000.00 plus Php

1,500.00 as appearance fee per court hearing, then it follows that it is the Metropolitan Trial Court which has jurisdiction over this case, not this Honorable Court. Such amount is way below the minimum jurisdictional amount prescribed by the rules in order to confer jurisdiction to the Regional Trial Court.[16] (Underscoring supplied)

To the Motion to Dismiss Pyramid filed its Opposition,[17] alleging that if there was a mistake in the assessment of the docket fees, the trial court was not precluded from acquiring jurisdiction over the complaint as "it has the authority to direct the mistaken party to complete the docket fees in the course of the proceedings . . ."[18] The Opposition merited a Reply[19] from petitioners.

By Order of June 3, 2002, the trial court[20] denied the Motion to Dismiss in this wise:

x x x x

Indeed, a perusal of the Complaint reveals that while plaintiff made mention of the value of the goods, which were lost, the prayer of plaintiff did not indicate its exact claim from the defendants. The Complaint merely prayed defendants "to comply with their obligation under their respective insurance policies by paying to plaintiff jointly and severally, the claims arising from the subject losses" and did not mention the amount of PHP907,149.07, which is the value of the goods and which is also the subject of insurance. This resulted to the assessment and payment of docket fees in the amount of P610 only. The Court, even without the Motion to Dismiss filed by defendant, actually noted such omission which is actually becoming a practice for some lawyers. For whatever purpose it may be, the Court will not dwell into it. In this instant case, this being for specific performance, it is not dismissible on that ground but unless proper docket fees are paid, the Court can only grant what was prayed for in the Complaint.

x x x x[21] (Emphasis and underscoring supplied)

Petitioners' Motion for Reconsideration[22] of the denial of their Motion to Dismiss having been denied[23] by Order of August 1, 2002, they filed their Answer with Compulsory Counterclaim ad Cautelam,[24] alleging that they intended to file a Petition for Certiorari with the Court of Appeals.[25]

Petitioners did indeed eventually file before the Court of Appeals a Petition for Certiorari (With Preliminary Injunction and Urgent Prayer for Restraining Order)[26] posing the following two of three queries, viz:

First. Does [Pyramid's] deliberate omission to pay the required correct docket and filing fee vest the trial court [with] jurisdiction to entertain the subject matter of the instant case?

Second. [Is] the instant case an action for specific performance or simply one for damages or recovery of a sum of money?

x x x x[27]

By Decision of June 3, 2004,[28] the Court of Appeals partially granted petitioners' petition for certiorari by setting aside the trial judge's assailed orders and ordering Pyramid to file the correct docket fees within a reasonable time, it holding that while the complaint was denominated as one for specific performance, it sought to recover from petitioners Pyramid's "claims arising from the subject losses." The appellate court ratiocinated:

x x x x

Indeed, it has been held that "it is not simply the filing of the complaint or appropriate initiatory pleading, but the payment of the prescribed docket fee that vests a trial court with jurisdiction over the subject matter or nature of the action." To determine the docket fees, it is necessary to determine the true nature of the action by examining the allegations of the complaint. x x x

x x x x

While the captions of the complaint and 1[st] amended complaint denominated the case as one for "Specific Performance and Damages", the allegations and prayer therein show that the specific performance sought by private respondent was for petitioners to "comply with their obligation under their respective Insurance Policies by paying to plaintiff jointly and severally, the claims arising from the subject losses" as well as the attorney's fees and costs of suit. Obviously, what constitutes specific performance is the payment itself by petitioners of private respondent's claims arising from the losses it allegedly incurred. x x x[29]

x x x x

Public respondent should have ordered private respondent to pay the correct docket fees on the basis of the allegations of the complaint. x x x

x x x x

While it has been held in *Manchester Development Corporation vs. Court of Appeals* x x x that "any pleading that fails to comply with this requirement of specifying the amount of damages not only in the body of the pleading but also in the prayer shall not be accepted nor admitted, or shall otherwise be expunged from the record," this rule was relaxed in subsequent cases, wherein payment of the correct docket fees was allowed within a reasonable time. . .

x x x x[30] (Emphasis and underscoring supplied)

Thus the appellate court disposed:

WHEREFORE, the petition is partially granted. The Orders dated June 3, 2002 and August 1, 2002 of public respondent are partially set aside insofar as they dispensed with the payment of the correct docket fees. Consequently, [Pyramid] is hereby directed to pay the correct docket fees on the basis of the losses alleged in the body of the complaint, plus the attorney's fees mentioned in the prayer, within a reasonable time which should not go beyond the applicable prescriptive or reglementary period. In all other respects, the said Orders are affirmed.[31] (Underscoring supplied)

Petitioners filed a Motion for Reconsideration[32] of the appellate court's decision. Pyramid filed its Comment and Opposition to the Motion for Reconsideration,[33] arguing thus:

x x x x

In the present case, [Pyramid] thru its Complaint simply sought from petitioners compliance with their contractual undertaking as insurers of the goods insured which were lost in [its] custody. Private respondent did not specify the extent of petitioners' obligation as it left the matter entirely in the judgment of the trial court to consider. Thus, the Complaint was labeled "Specific Performance" which [Pyramid] submitted to the Clerk of Court for assessment of the docket fee, after which, it paid the same based on the said assessment. There was no indication whatsoever that [Pyramid] had refused to pay; rather, it merely argued against petitioners' submissions as it maintained the correctness of the assessment made.[34] (Underscoring supplied)

By Resolution of August 23, 2004, the Court of Appeals denied petitioners' Motion for Reconsideration;[35] hence, the present Petition for Review on Certiorari,[36] raising the issues of whether the appellate court erred:

. . . WHEN IT APPLIED IN THE INSTANT CASE THE LIBERAL RULE ENUNCIATED IN *SUN INSURANCE OFFICE, LTD. (SIOL) VS. ASUNCION*, 170 SCRA 274 AND *NATIONAL STEEL CORPORATION VS. COURT OF APPEALS*, 302 SCRA 523 (1999) IN RESPECT TO THE PAYMENT OF THE PRESCRIBED FILING AND DOCKET FEES DESPITE CLEAR SHOWING OF RESPONDENT'S INTENTION TO EVADE THE PAYMENT OF THE CORRECT DOCKET FEE WHICH WARRANTS THE APPLICATION OF THE DOCTRINE LAID DOWN IN *MANCHESTER DEVELOPMENT*

CORPORATION VS. COURT OF APPEALS, 149 SCRA 562.

. . . WHEN IT DID NOT APPLY THE RULING OF THIS HONORABLE TRIBUNAL IN MARCOPPER MINING CORPORATION VS. GARCIA, 143 SCRA 178, TAN VS. DIRECTOR OF FORESTRY, 125 SCRA 302, AND CHINA ROAD AND BRIDGE CORPORATION VS. COURT OF APPEALS, 348 SCRA 401.[37] (Underscoring supplied)

Petitioners invoke the doctrine in *Manchester Development Corporation v. Court of Appeals*[38] that a pleading which does not specify in the prayer the amount sought shall not be admitted or shall otherwise be expunged, and that the court acquires jurisdiction only upon the payment of the prescribed docket fee.[39]

Pyramid, on the other hand, insists, in its Comment on the Petition,[40] on the application of *Sun Insurance Office, Ltd. (SIOL) v. Asuncion*[41] and subsequent rulings relaxing the Manchester ruling by allowing payment of the docket fee within a reasonable time, in no case beyond the applicable prescriptive or reglementary period, where the filing of the initiatory pleading is not accompanied by the payment of the prescribed docket fee.[42]

In *Tacay v. Regional Trial Court of Tagum, Davao del Norte*,[43] the Court clarified the effect of the *Sun Insurance* ruling on the Manchester ruling as follows:

As will be noted, the requirement in Circular No. 7 [of this Court which was issued based on the Manchester ruling[44]] that complaints, petitions, answers, and similar pleadings should specify the amount of damages being prayed for not only in the body of the pleading but also in the prayer, has not been altered. What has been revised is the rule that subsequent "amendment of the complaint or similar pleading will not thereby vest jurisdiction in the Court, much less the payment of the docket fee based on the amount sought in the amended pleading," the trial court now being authorized to allow payment of the fee within a reasonable time but in no case beyond the applicable prescriptive period or reglementary period. Moreover, a new rule has been added, governing the awards of claims not specified in the pleading - i.e., damages arising after the filing of the complaint or similar pleading - as to which the additional filing fee therefore shall constitute a lien on the judgment.

Now, under the Rules of Court, docket or filing fees are assessed on the basis of the "sum claimed," on the one hand, or the "value of the property in litigation or the value of the estate," on the other. . .

Where the action is purely for the recovery of money or damages, the docket fees are assessed on the basis of the aggregate amount claimed, exclusive only of interests and costs. In this case, the complaint or similar pleading should, according to Circular No. 7 of this Court, "specify the amount of damages being prayed for not only in the body of the pleading but also in the prayer, and said damages shall be considered in the assessment of filing fees in any case."

Two situations may arise. One is where the complaint or similar pleading sets out a claim purely for money and damages and there is no statement of the amounts being claimed. In this event the rule is that the pleading will "not be accepted nor admitted, or shall otherwise be expunged from the record." In other words, the complaint or pleading may be dismissed, or the claims as to which amounts are unspecified may be expunged, although as aforestated the Court may, on motion, permit amendment of the complaint and payment of the fees provided the claim has not in the meantime become time-barred. The other is where the pleading does specify the amount of every claim, but the fees paid are insufficient; and here again, the rule now is that the court may allow a reasonable time for the payment of the prescribed fees, or the balance thereof, and upon such payment, the defect is cured and the court may properly take cognizance of the action, unless in the meantime prescription has set in and consequently barred the right of action.[45] (Emphasis and underscoring supplied)

Indeed, Pyramid captioned its complaint as one for "specific performance and damages" even if it was, as the allegations in its body showed, seeking in the main the collection of its claims-sums of money representing losses

the amount of which it, by its own admission, "knew." [46] And, indeed, it failed to specify in its prayer in the complaint the amount of its claims/damages.

When Pyramid amended its complaint, it still did not specify, in its prayer, the amount of claims/damages it was seeking. In fact it has the audacity to inform this Court, in its Comment on the present Petition, that

x x x In the natural order of things, when a litigant is given the opportunity to spend less for a docket fee after submitting his pleading for assessment by the Office of the Clerk of Court, he would not decline it inasmuch as to request for a higher assessment under the circumstances [for such] is against his interest and would be senseless. Placed under the same situation, petitioner[s] would certainly do likewise. To say otherwise would certainly be dishonest, [47]

which comment drew petitioners to conclude as follows:

[This] only shows respondent's dishonesty and lack of regard of the rules. Following this line of reasoning, respondent would do everything if only for it to spend less for the filing fee, even to the extent of circumventing and defying the rule on the payment of the filing fee.

In spite of the fact that the respondent was already caught in the quagmire of its own cobweb of deception, it further justified its unethical act by ratiocinating that "placed under the same situation, petitioner would certainly do likewise, to say otherwise would certainly be dishonest". This attitude of the respondent is very alarming! Having been caught red-handed, the honorable thing that respondent should have done is admit its own violation rather than justify an act which it knows is a clear contravention of the rules and jurisprudence. [48] (Italics and emphasis in the original)

Pyramid's following justification for omitting to specify in the prayer of its complaint the amount of its claims/damages, viz:

x x x x

x x x While respondent knew its losses and alleged them in the body of the Complaint, it was not aware of the extent of petitioners' respective liability under the two insurance policies. The allegation of respondent's losses, albeit, without repeating them in its prayer for relief was not motivated by an intention to mislead, cheat or defraud the Court. It just left the matter of liability arising from two separate and distinct Insurance Policies covering the same insurable risk for the trial court's determination, hence, respondent came up with an action for "specific performance,]" [49] (Emphasis and underscoring supplied)

fails to impress.

As the salient allegations of Pyramid's complaint show and as priorly stated, they constitute, in the main, an action for collection of its claims it admittedly "knew."

Assuming arguendo that Pyramid has other claims the amounts of which are yet to be determined by the trial court, the rule established in Manchester which was embodied in this Court's Circular No. 7-88 issued on March 24, 1988, as modified by the Sun Insurance ruling, still applies. Consider this Court's pronouncement bearing on the matter in Ayala Corporation v. Madayag: [50]

x x x x

Apparently, the trial court misinterpreted paragraph 3 of the [Sun Insurance] ruling of this Court wherein it stated that "where the judgment awards a claim not specified in the pleading, or if specified, the same has been left for the determination of the court, the additional filing fee therefor shall constitute a lien on the judgment" by considering it to mean that where in the body and prayer of the complaint there is a prayer xxx the amount of which is left to the discretion of the Court, there is no need to specify the amount being sought, and that any

award thereafter shall constitute a lien on the judgment.

x x x While it is true that the determination of certain damages x x x is left to the sound discretion of the court, it is the duty of the parties claiming such damages to specify the amount sought on the basis of which the court may make a proper determination, and for the proper assessment of the appropriate docket fees. The exception contemplated as to claims not specified or to claims although specified are left for determination of the court is limited only to any damages that may arise after the filing of the complaint or similar pleading for then it will not be possible for the claimant to specify nor speculate as to the amount thereof. (Emphasis and underscoring supplied)

If respondent Pyramid's counsel had only been forthright in drafting the complaint and taking the cudgels for his client and the trial judge assiduous in applying Circular No. 7 vis a vis prevailing jurisprudence, the precious time of this Court, as well as of that of the appellate court, would not have been unnecessarily sapped.

The Court at this juncture thus reminds Pyramid's counsel to observe Canon 12 of the Code of Professional Ethics which enjoins a lawyer to "exert every effort and consider it his duty to assist in the speedy and efficient administration of justice," and Rule 12.04 of the same Canon which enjoins a lawyer "not [to] unduly delay a case, impede the execution of a judgment or misuse court processes." And the Court reminds too the trial judge to bear in mind that the nature of an action is determined by the allegations of the pleadings^[51] and to keep abreast of all laws and prevailing jurisprudence, consistent with the standard that magistrates must be the embodiments of competence, integrity and independence.^[52]

WHEREFORE, in light of the foregoing discussions, the petition is DENIED.

SO ORDERED.

Quisumbing, (Chairperson), Tinga, Velasco, Jr., and Brion, JJ., concur.

[1]Records, pp. 1-5.

[2]Id. at 2-3.

[3]Id. at 4.

[4]Ibid.

[5] Id. at 17.

[6]Id. at 21-25.

[7]Vide id. at 22-24.

[8] Id. at 24.

[9] Id. at 26.

[10]Id. at 34-35.

[11] Id. at 35.

[12]G.R. No. L-75919, May 7, 1987, 149 SCRA 562.

[13] Id. at 569.

[14] G.R. Nos. 79937-38, February 13, 1989, 170 SCRA 274.

- [15]Id. at 285.
- [16] Records, pp. 35-36.
- [17]Id. at 48-53.
- [18]Id. at 49. Citations omitted.
- [19] Id. at 57-62.
- [20] Presided by Judge Oscar B. Pimentel.
- [21]Records, p. 65.
- [22]Id. at 66-72.
- [23] Id. at 76-80.
- [24] Id. at 81-86.
- [25]Id. at 81.
- [26]CA rollo, pp. 2-22.
- [27]Id. at 7.
- [28] Penned by Court of Appeals Associate Justice Fernanda Lampas Peralta, with the concurrence of Associate Justices Portia Aliño Hormachuelos and Josefina Guevarra-Salonga, id. at 82-94.
- [29]Id. at 85-86.
- [30] Id. at 89-90. Citations omitted.
- [31]Id. at 94. Citations omitted.
- [32] Id. at 96-103.
- [33] Id. at 119-121.
- [34] Id. at 120.
- [35]Id. at 123-124.
- [36]Rollo, pp. 3-23.
- [37] Rollo, p. 7.
- [38]Supra note 12.
- [39] Vide id. at 569; rollo, pp. 8-9.
- [40] Rollo, pp. 61-64.
- [41] G.R. Nos. 79937-39, February 13, 1989, 170 SCRA 274.
- [42] Vide id. at 285; rollo, p. 82.
- [43] G.R. Nos. 88075-77, December 20, 1989, 180 SCRA 433.
- [44] Vide id. at 442; Supreme Court Circular No. 7-88, March 24, 1988.

[45]Tacay v. Regional Trial Court of Tagum, Davao del Norte, G.R. Nos. 88075-77, December 20, 1989, 180 SCRA 433, 442-443. Citations omitted.

[46]Vide Pyramid's Memorandum dated May 18, 2005, p. 9, rollo, pp. 73-84.

[47] Rollo, p. 63.

[48] Id. at 94.

[49] Id. at 81.

[50]G.R. No. 88421, January 30, 1990, 181 SCRA 687, 690-691. Citations omitted.

[51]Vide Reyes Alsons Development and Investment Corporation, G.R. No. 153936, March 2, 2007, 517 SCRA 244, 252-253.

[52]Vide Cabañero v. Judge Cañon, 417 Phil. 754, 785 (2001).

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