

**NATIONAL POWER CORPORATION, PETITIONER, VS. HEIRS OF
MACABANGKIT SANGKAY, NAMELY: CEBU, BATOWA-AN, SAYANA,
NASSER, MANTA, EDGAR, PUTRI, MONGKOY, AND AMIR, ALL
SURNAMED MACABANGK...**

G.R. No. 165828. August 24, 2011

Ponente: BERSAMIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-165828/>

BERSAMIN, J.:

Private property shall not be taken for public use without just compensation.

- Section 9, Article III, 1987 Constitution

The application of this provision of the Constitution is the focus of this appeal.

Petitioner National Power Corporation (NPC) seeks the review on certiorari of the decision promulgated on October 5, 2004,[1] whereby the Court of Appeals (CA) affirmed the decision dated August 13, 1999 and the supplemental decision dated August 18, 1999, ordering NPC to pay just compensation to the respondents, both rendered by the Regional Trial Court, Branch 1, in Iligan City (RTC).

Antecedents

Pursuant to its legal mandate under Republic Act No. 6395 (An Act Revising the Charter of the National Power Corporation), NPC undertook the Agus River Hydroelectric Power Plant Project in the 1970s to generate electricity for Mindanao. The project included the construction of several underground tunnels to be used in diverting the water flow from the Agus River to the hydroelectric plants.[2]

On November 21, 1997, the respondents, namely: Cebu, Bangowa-an, Sayana, Nasser, Manta, Edgar, Putri, Mongkoy and Amir, all surnamed Macabangkit (Heirs of Macabangkit), as the owners of land with an area of 221,573 square meters situated in Ditucalan, Iligan City, sued NPC in the RTC for the recovery of damages and of the property, with the alternative prayer for the payment of just compensation.[3] They alleged that they had belatedly discovered that one of the underground tunnels of NPC that diverted the water flow of the Agus River for the operation of the Hydroelectric Project in Agus V, Agus VI and Agus VII traversed their land; that their discovery had occurred in 1995 after Atty. Saidali C. Gandamra, President of the Federation of Arabic Madaris School, had rejected their offer to sell the land because of the danger the underground tunnel might pose to the proposed Arabic Language Training Center and Muslims Skills Development Center; that such rejection had been followed by the withdrawal by Global Asia Management and Resource Corporation from developing the land into a housing project for the same reason; that Al-Amanah Islamic Investment Bank of the Philippines had also refused to accept their land as collateral because of the presence of the underground tunnel; that the underground tunnel had been constructed without their knowledge and consent; that the presence of the tunnel deprived them of the agricultural, commercial, industrial and residential value of their land; and that their land had also become an unsafe place for habitation because of the loud sound of the water rushing through the tunnel and the constant

shaking of the ground, forcing them and their workers to relocate to safer grounds.

In its answer with counterclaim,[4] NPC countered that the Heirs of Macabangkit had no right to compensation under section 3(f) of Republic Act No. 6395, under which a mere legal easement on their land was established; that their cause of action, should they be entitled to compensation, already prescribed due to the tunnel having been constructed in 1979; and that by reason of the tunnel being an apparent and continuous easement, any action arising from such easement prescribed in five years.

Ruling of the RTC

On July 23, 1998, an ocular inspection of the land that was conducted by RTC Judge Mamindiara P. Mangotara and the representatives of the parties resulted in the following observations and findings:

- That a concrete post which is about two feet in length from the ground which according to the claimants is the middle point of the tunnel.
- That at least three fruit bearing durian trees were uprooted and as a result of the construction by the defendant of the tunnel and about one hundred coconuts planted died.
- That underground tunnel was constructed therein.[5]

After trial, the RTC ruled in favor of the plaintiffs (Heirs of Macabangkit),[6] decreeing:

WHEREFORE, premises considered:

1. The prayer for the removal or dismantling of defendant's tunnel is denied. However, defendant is hereby directed and ordered:

- a) To pay plaintiffs' land with a total area of 227,065 square meters, at the rate of FIVE HUNDRED (P500.00) PESOS per square meter, or a total of ONE HUNDRED THIRTEEN MILLION FIVE HUNDRED THIRTY TWO THOUSAND AND FIVE HUNDRED (P113,532,500.00), PESOS, plus interest, as actual damages or just compensation;
- b) To pay plaintiff a monthly rental of their land in the amount of THIRTY THOUSAND (P30,000.00) PESOS from 1979 up to July 1999 with 12% interest per annum;
- c) To pay plaintiffs the sum of TWO HUNDRED THOUSAND (P200,000.00) PESOS, as moral damages;
- d) To pay plaintiffs, the sum of TWO HUNDRED THOUSAND (P200,000.00) PESOS, as exemplary damages;
- e) To pay plaintiffs, the sum equivalent to 15% of the total amount awarded, as attorney's fees, and to pay the cost.

SO ORDERED.

The RTC found that NPC had concealed the construction of the tunnel in 1979 from the Heirs of Macabangkit, and had since continuously denied its existence; that NPC had acted in bad faith by taking possession of the subterranean portion of their land to construct the tunnel without their knowledge and prior consent; that the existence of the tunnel had affected the entire expanse of the land, and had restricted their right to excavate or to construct a motorized deep well; and that they, as owners, had lost the agricultural, commercial, industrial and residential value of the land.

The RTC fixed the just compensation at P500.00/square meter based on the testimony of Dionisio Banawan, OIC-City Assessor of Iligan City, to the effect that the appraised value of the adjoining properties ranged from

P700.00 to P750.00, while the appraised value of their affected land ranged from P400.00 to P500.00. The RTC also required NPC to pay rentals from 1979 due to its bad faith in concealing the construction of the tunnel from the Heirs of Macabangkit.

On August 18, 1999, the RTC issued a supplemental decision,[7] viz:

Upon a careful review of the original decision dated August 13, 1999, a sentence should be added to paragraph 1(a) of the dispositive portion thereof, to bolster, harmonize, and conform to the findings of the Court, which is quoted hereunder, to wit:

"Consequently, plaintiffs' land or properties are hereby condemned in favor of defendant National Power Corporation, upon payment of the aforesaid sum."

Therefore, paragraph 1(a) of the dispositive portion of the original decision should read, as follows:

a) To pay plaintiffs' land with a total area of 227,065 square meters, at the rate of FIVE HUNDRED (P500.00) PESOS per square meter, or a total of ONE HUNDRED THIRTEEN MILLION FIVE HUNDRED THIRTY TWO THOUSAND AND FIVE HUNDRED (P113,532,500.00) PESOS, plus interest, as actual damages or just compensation; Consequently, plaintiffs' land or properties are hereby condemned in favor of defendant National Power Corporation, upon payment of the aforesaid sum;

This supplemental decision shall be considered as part of paragraph 1(a) of the dispositive portion of the original decision.

Furnish copy of this supplemental decision to all parties immediately.

SO ORDERED.

On its part, NPC appealed to the CA on August 25, 1999.[8]

Earlier, on August 18, 1999, the Heirs of Macabangkit filed an urgent motion for execution of judgment pending appeal.[9] The RTC granted the motion and issued a writ of execution,[10] prompting NPC to assail the writ by petition for certiorari in the CA. On September 15, 1999, the CA issued a temporary restraining order (TRO) to enjoin the RTC from implementing its decision. The Heirs of Macabangkit elevated the ruling of the CA (G.R. No. 141447), but the Court upheld the CA on May 4, 2006.[11]

Ruling of the CA

NPC raised only two errors in the CA, namely:

I

THE COURT A QUO SERIOUSLY ERRED IN RULING THAT NAPOCOR'S UNDERGROUND TUNNEL IN ITS AGUS RIVER HYDRO-ELECTRIC PLANT PROJECT TRAVERSED AND/OR AFFECTED APPELLEES' PROPERTY AS THERE IS NO CLEAR EVIDENCE INDUBITABLY ESTABLISHING THE SAME

II

THE COURT A QUO SERIOUSLY ERRED IN GRANTING APPELLEES' CLAIMS IN THEIR ENTIRETY FOR GRANTING ARGUENDO THAT NAPOCOR'S UNDERGROUND TUNNEL INDEED TRAVERSED APPELLEE'S PROPERTY, THEIR CAUSE OF ACTION HAD ALREADY BEEN BARRED BY PRESCRIPTION, ESTOPPEL AND LACHES

On October 5, 2004, the CA affirmed the decision of the RTC, holding that the testimonies of NPC's witness Gregorio Enterone and of the respondents' witness Engr. Pete Sacedon, the topographic survey map, the sketch

map, and the ocular inspection report sufficiently established the existence of the underground tunnel traversing the land of the Heirs of Macabangkit; that NPC did not substantiate its defense that prescription already barred the claim of the Heirs of Macabangkit; and that Section 3(i) of R.A. No. 6395, being silent about tunnels, did not apply, viz:

As regard Section 3(i) of R.A. No. 6395 (An Act Revising the Charter of the National Power Corporation), it is submitted that the same provision is not applicable. There is nothing in Section 3(i) of said law governing claims involving tunnels. The same provision is applicable to those projects or facilities on the surface of the land, that can easily be discovered, without any mention about the claims involving tunnels, particularly those surreptitiously constructed beneath the surface of the land, as in the instant case.

Now, while it is true that Republic Act No. 6395 authorizes NAPOCOR to take water from any public stream, river, creek, lake, spring or waterfall in the Philippines for the realization of the purposes specified therein for its creation; to intercept and divert the flow of waters from lands of riparian owners (in this case, the "Heirs"), and from persons owning or interested in water which are or may be necessary to said purposes, the same Act expressly mandates the payment of just compensation.

WHEREFORE, premises considered, the instant appeal is hereby DENIED for lack of merit. Accordingly, the appealed Decision dated August 13, 1999, and the supplemental Decision dated August 18, 1999, are hereby AFFIRMED in toto.

SO ORDERED.[12]

Issue

NPC has come to the Court, assigning the lone error that:

THE APPELLATE COURT ERRED ON A QUESTION OF LAW WHEN IT AFFIRMED THE DECISION AND SUPPLEMENTAL DECISION OF THE COURT A QUO DIRECTING AND ORDERING PETITIONER TO PAY JUST COMPENSATION TO RESPONDENTS.

NPC reiterates that witnesses Enterone and Sacedon lacked personal knowledge about the construction and existence of the tunnel and were for that reason not entitled to credence; and that the topographic and relocation maps prepared by Sacedon should not be a basis to prove the existence and location of the tunnel due to being self-serving.

NPC contends that the CA should have applied Section 3(i) of Republic Act No. 6395, which provided a period of only five years from the date of the construction within which the affected landowner could bring a claim against it; and that even if Republic Act No. 6395 should be inapplicable, the action of the Heirs of Macabangkit had already prescribed due to the underground tunnel being susceptible to acquisitive prescription after the lapse of 10 years pursuant to Article 620 of the Civil Code due to its being a continuous and apparent legal easement under Article 634 of the Civil Code.

The issues for resolution are, therefore, as follows:

- (1) Whether the CA and the RTC erred in holding that there was an underground tunnel traversing the Heirs of Macabangkit's land constructed by NPC; and
- (2) Whether the Heirs of Macabangkit's right to claim just compensation had prescribed under section 3(i) of Republic Act No. 6395, or, alternatively, under Article 620 and Article 646 of the Civil Code.

Ruling

We uphold the liability of NPC for payment of just compensation.

1.

Factual findings of the RTC,
when affirmed by the CA, are binding

The existence of the tunnel underneath the land of the Heirs of Macabangkit, being a factual matter, cannot now be properly reviewed by the Court, for questions of fact are beyond the pale of a petition for review on certiorari. Moreover, the factual findings and determinations by the RTC as the trial court are generally binding on the Court, particularly after the CA affirmed them.[13] Bearing these doctrines in mind, the Court should rightly dismiss NPC's appeal.

NPC argues, however, that this appeal should not be dismissed because the Heirs of Macabangkit essentially failed to prove the existence of the underground tunnel. It insists that the topographic survey map and the right-of-way map presented by the Heirs of Macabangkit did not at all establish the presence of any underground tunnel.

NPC still fails to convince.

Even assuming, for now, that the Court may review the factual findings of the CA and the RTC, for NPC to insist that the evidence on the existence of the tunnel was not adequate and incompetent remains futile. On the contrary, the evidence on the tunnel was substantial, for the significance of the topographic survey map and the sketch map (as indicative of the extent and presence of the tunnel construction) to the question on the existence of the tunnel was strong, as the CA correctly projected in its assailed decision, viz:

Among the pieces of documentary evidence presented showing the existence of the said tunnel beneath the subject property is the topographic survey map. The topographic survey map is one conducted to know about the location and elevation of the land and all existing structures above and underneath it. Another is the Sketch Map which shows the location and extent of the land traversed or affected by the said tunnel. These two (2) pieces of documentary evidence readily point the extent and presence of the tunnel construction coming from the power cavern near the small man-made lake which is the inlet and approach tunnel, or at a distance of about two (2) kilometers away from the land of the plaintiffs-appellees, and then traversing the entire and the whole length of the plaintiffs-appellees' property, and the outlet channel of the tunnel is another small man-made lake. This is a sub-terrain construction, and considering that both inlet and outlet are bodies of water, the tunnel can hardly be noticed. All constructions done were beneath the surface of the plaintiffs-appellees' property. This explains why they could never obtain any knowledge of the existence of such tunnel during the period that the same was constructed and installed beneath their property.[14]

The power cavern and the inlet and outlet channels established the presence of the underground tunnel, based on the declaration in the RTC by Sacedon, a former employee of the NPC.[15] It is worthy to note that NPC did not deny the existence of the power cavern, and of the inlet and outlet channels adverted to and as depicted in the topographic survey map and the sketch map. The CA cannot be faulted for crediting the testimony of Sacedon despite the effort of NPC to discount his credit due to his not being an expert witness, simply because Sacedon had personal knowledge based on his being NPC's principal engineer and supervisor tasked at one time to lay out the tunnels and transmission lines specifically for the hydroelectric projects,[16] and to supervise the construction of the Agus 1 Hydroelectric Plant itself[17] from 1978 until his retirement from NPC.[18] Besides, he declared that he personally experienced the vibrations caused by the rushing currents in the tunnel, particularly near the outlet channel.[19] Under any circumstances, Sacedon was a credible and competent witness.

The ocular inspection actually confirmed the existence of the tunnel underneath the land of the Heirs of Macabangkit. Thus, the CA observed:

More so, the Ocular inspection conducted on July 23, 1998 further bolstered such claim of the existence and

extent of such tunnel. This was conducted by a team composed of the Honorable Presiding Judge of the Regional Trial Court, Branch 01, Lanao del Norte, herself and the respective lawyers of both of the parties and found that, among others, said underground tunnel was constructed beneath the subject property.[20]

It bears noting that NPC did not raise any issue against or tender any contrary comment on the ocular inspection report.

2.

Five-year prescriptive period under Section 3(i) of Republic Act No. 6395 does not apply to claims for just compensation

The CA held that Section 3(i) of Republic Act No. 6395 had no application to this action because it covered facilities that could be easily discovered, not tunnels that were inconspicuously constructed beneath the surface of the land.[21]

NPC disagrees, and argues that because Article 635[22] of the Civil Code directs the application of special laws when an easement, such as the underground tunnel, was intended for public use, the law applicable was Section 3(i) of Republic Act No. 6395, as amended, which limits the action for recovery of compensation to five years from the date of construction. It posits that the five-year prescriptive period already set in due to the construction of the underground tunnel having been completed in 1979 yet.

Without necessarily adopting the reasoning of the CA, we uphold its conclusion that prescription did not bar the present action to recover just compensation.

Section 3 (i) of Republic Act No. 6395, the cited law, relevantly provides:

Section 3. Powers and General Functions of the Corporation. - The powers, functions, rights and activities of the Corporation shall be the following:

xxx

(i) To construct works across, or otherwise, any stream, watercourse, canal, ditch, flume, street, avenue, highway or railway of private and public ownership, as the location of said works may require: Provided, That said works be constructed in such a manner as not to endanger life or property; And provided, further, That the stream, watercourse, canal ditch, flume, street, avenue, highway or railway so crossed or intersected be restored as near as possible to their former state, or in a manner not to impair unnecessarily their usefulness. Every person or entity whose right of way or property is lawfully crossed or intersected by said works shall not obstruct any such crossings or intersection and shall grant the Board or its representative, the proper authority for the execution of such work. The Corporation is hereby given the right of way to locate, construct and maintain such works over and throughout the lands owned by the Republic of the Philippines or any of its branches and political subdivisions. The Corporation or its representative may also enter upon private property in the lawful performance or prosecution of its business and purposes, including the construction of the transmission lines thereon; Provided, that the owner of such property shall be indemnified for any actual damage caused thereby; Provided, further, That said action for damages is filed within five years after the rights of way, transmission lines, substations, plants or other facilities shall have been established; Provided, finally, That after said period, no suit shall be brought to question the said rights of way, transmission lines, substations, plants or other facilities;

A cursory reading shows that Section 3(i) covers the construction of "works across, or otherwise, any stream, watercourse, canal, ditch, flume, street, avenue, highway or railway of private and public ownership, as the location of said works may require." It is notable that Section 3(i) includes no limitation except those enumerated after the term works. Accordingly, we consider the term works as embracing all kinds of constructions, facilities,

and other developments that can enable or help NPC to meet its objectives of developing hydraulic power expressly provided under paragraph (g) of Section 3.[23] The CA's restrictive construal of Section 3(i) as exclusive of tunnels was obviously unwarranted, for the provision applies not only to development works easily discoverable or on the surface of the earth but also to subterranean works like tunnels. Such interpretation accords with the fundamental guideline in statutory construction that when the law does not distinguish, so must we not.[24] Moreover, when the language of the statute is plain and free from ambiguity, and expresses a single, definite, and sensible meaning, that meaning is conclusively presumed to be the meaning that the Congress intended to convey.[25]

Even so, we still cannot side with NPC.

We rule that the prescriptive period provided under Section 3(i) of Republic Act No. 6395 is applicable only to an action for damages, and does not extend to an action to recover just compensation like this case. Consequently, NPC cannot thereby bar the right of the Heirs of Macabangkit to recover just compensation for their land.

The action to recover just compensation from the State or its expropriating agency differs from the action for damages. The former, also known as inverse condemnation, has the objective to recover the value of property taken in fact by the governmental defendant, even though no formal exercise of the power of eminent domain has been attempted by the taking agency.[26] Just compensation is the full and fair equivalent of the property taken from its owner by the expropriator. The measure is not the taker's gain, but the owner's loss. The word just is used to intensify the meaning of the word compensation in order to convey the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full, and ample.[27] On the other hand, the latter action seeks to vindicate a legal wrong through damages, which may be actual, moral, nominal, temperate, liquidated, or exemplary. When a right is exercised in a manner not conformable with the norms enshrined in Article 19[28] and like provisions on human relations in the Civil Code, and the exercise results to the damage of another, a legal wrong is committed and the wrongdoer is held responsible.[29]

The two actions are radically different in nature and purpose. The action to recover just compensation is based on the Constitution[30] while the action for damages is predicated on statutory enactments. Indeed, the former arises from the exercise by the State of its power of eminent domain against private property for public use, but the latter emanates from the transgression of a right. The fact that the owner rather than the expropriator brings the former does not change the essential nature of the suit as an inverse condemnation,[31] for the suit is not based on tort, but on the constitutional prohibition against the taking of property without just compensation.[32] It would very well be contrary to the clear language of the Constitution to bar the recovery of just compensation for private property taken for a public use solely on the basis of statutory prescription.

Due to the need to construct the underground tunnel, NPC should have first moved to acquire the land from the Heirs of Macabangkit either by voluntary tender to purchase or through formal expropriation proceedings. In either case, NPC would have been liable to pay to the owners the fair market value of the land, for Section 3(h) of Republic Act No. 6395 expressly requires NPC to pay the fair market value of such property at the time of the taking, thusly:

(h) To acquire, promote, hold, transfer, sell, lease, rent, mortgage, encumber and otherwise dispose of property incident to, or necessary, convenient or proper to carry out the purposes for which the Corporation was created: Provided, That in case a right of way is necessary for its transmission lines, easement of right of way shall only be sought: Provided, however, That in case the property itself shall be acquired by purchase, the cost thereof shall be the fair market value at the time of the taking of such property.

This was what NPC was ordered to do in *National Power Corporation v. Ibrahim*,[33] where NPC had denied the

right of the owners to be paid just compensation despite their land being traversed by the underground tunnels for siphoning water from Lake Lanao needed in the operation of Agus II, Agus III, Agus IV, Agus VI and Agus VII Hydroelectric Projects in Saguiran, Lanao del Sur, in Nangca and Balo-I in Lanao del Norte and in Ditucalan and Fuentes in Iligan City. There, NPC similarly argued that the underground tunnels constituted a mere easement that did not involve any loss of title or possession on the part of the property owners, but the Court resolved against NPC, to wit:

Petitioner contends that the underground tunnels in this case constitute an easement upon the property of the respondents which does not involve any loss of title or possession. The manner in which the easement was created by petitioner, however, violates the due process rights of respondents as it was without notice and indemnity to them and did not go through proper expropriation proceedings. Petitioner could have, at any time, validly exercised the power of eminent domain to acquire the easement over respondents' property as this power encompasses not only the taking or appropriation of title to and possession of the expropriated property but likewise covers even the imposition of a mere burden upon the owner of the condemned property. Significantly, though, landowners cannot be deprived of their right over their land until expropriation proceedings are instituted in court. The court must then see to it that the taking is for public use, that there is payment of just compensation and that there is due process of law.[34]

3.

NPC's construction of the tunnel
constituted taking of the land, and
entitled owners to just compensation

The Court held in *National Power Corporation v. Ibrahim* that NPC was "liable to pay not merely an easement fee but rather the full compensation for land" traversed by the underground tunnels, viz:

In disregarding this procedure and failing to recognize respondents' ownership of the sub-terrain portion, petitioner took a risk and exposed itself to greater liability with the passage of time. It must be emphasized that the acquisition of the easement is not without expense. The underground tunnels impose limitations on respondents' use of the property for an indefinite period and deprive them of its ordinary use. Based upon the foregoing, respondents are clearly entitled to the payment of just compensation. Notwithstanding the fact that petitioner only occupies the sub-terrain portion, it is liable to pay not merely an easement fee but rather the full compensation for land. This is so because in this case, the nature of the easement practically deprives the owners of its normal beneficial use. Respondents, as the owner of the property thus expropriated, are entitled to a just compensation which should be neither more nor less, whenever it is possible to make the assessment, than the money equivalent of said property.[35]

Here, like in *National Power Corporation v. Ibrahim*, NPC constructed a tunnel underneath the land of the Heirs of Macabangkit without going through formal expropriation proceedings and without procuring their consent or at least informing them beforehand of the construction. NPC's construction adversely affected the owners' rights and interests because the subterranean intervention by NPC prevented them from introducing any developments on the surface, and from disposing of the land or any portion of it, either by sale or mortgage.

Did such consequence constitute taking of the land as to entitle the owners to just compensation?

We agree with both the RTC and the CA that there was a full taking on the part of NPC, notwithstanding that the owners were not completely and actually dispossessed. It is settled that the taking of private property for public use, to be compensable, need not be an actual physical taking or appropriation.[36] Indeed, the expropriator's action may be short of acquisition of title, physical possession, or occupancy but may still amount to a taking.[37] Compensable taking includes destruction, restriction, diminution, or interruption of the rights of ownership or of the common and necessary use and enjoyment of the property in a lawful manner, lessening or destroying its

value.[38] It is neither necessary that the owner be wholly deprived of the use of his property,[39] nor material whether the property is removed from the possession of the owner, or in any respect changes hands.[40]

As a result, NPC should pay just compensation for the entire land. In that regard, the RTC pegged just compensation at P500.00/square meter based on its finding on what the prevailing market value of the property was at the time of the filing of the complaint, and the CA upheld the RTC.

We affirm the CA, considering that NPC did not assail the valuation in the CA and in this Court. NPC's silence was probably due to the correctness of the RTC's valuation after careful consideration and weighing of the parties' evidence, as follows:

The matter of what is just compensation for these parcels of land is a matter of evidence. These parcels of land is (sic) located in the City of Iligan, the Industrial City of the South. Witness Dionisio Banawan, OIC- City Assessor's Office, testified, "Within that area, that area is classified as industrial and residential. That plaintiffs' land is adjacent to many subdivisions and that is within the industrial classification. He testified and identified Exhibit "AA" and "AA-1", a Certification, dated April 4, 1997, showing that the appraised value of plaintiffs land ranges from P400.00 to P500.00 per square meter (see, TSN, testimony of Dionisio Banawan, pp. 51, 57, and 71, February 9, 1999). Also, witness Banawan, testified and identified Two (2) Deeds of Sale, marked as Exhibit "AA-2" and "AA-3,["] showing that the appraised value of the land adjoining or adjacent to plaintiff land ranges from P700.00 to P750.00 per square meter. As between the much lower price of the land as testified by defendant's witness Gregorio Enterone, and that of the City Assessor of Iligan City, the latter is more credible. Considering however, that the appraised value of the land in the area as determined by the City Assessor's Office is not uniform, this Court, is of the opinion that the reasonable amount of just compensation of plaintiff's land should be fixed at FIVE HUNDRED (500.00) PESOS, per square meter. xxx.[41]

The RTC based its fixing of just compensation ostensibly on the prevailing market value at the time of the filing of the complaint, instead of reckoning from the time of the taking pursuant to Section 3(h) of Republic Act No. 6395. The CA did not dwell on the reckoning time, possibly because NPC did not assign that as an error on the part of the RTC.

We rule that the reckoning value is the value at the time of the filing of the complaint, as the RTC provided in its decision. Compensation that is reckoned on the market value prevailing at the time either when NPC entered or when it completed the tunnel, as NPC submits, would not be just, for it would compound the gross unfairness already caused to the owners by NPC's entering without the intention of formally expropriating the land, and without the prior knowledge and consent of the Heirs of Macabangkit. NPC's entry denied elementary due process of law to the owners since then until the owners commenced the inverse condemnation proceedings. The Court is more concerned with the necessity to prevent NPC from unjustly profiting from its deliberate acts of denying due process of law to the owners. As a measure of simple justice and ordinary fairness to them, therefore, reckoning just compensation on the value at the time the owners commenced these inverse condemnation proceedings is entirely warranted.

In *National Power Corporation v. Court of Appeals*,[42] a case that involved the similar construction of an underground tunnel by NPC without the prior consent and knowledge of the owners, and in which we held that the basis in fixing just compensation when the initiation of the action preceded the entry into the property was the time of the filing of the complaint, not the time of taking,[43] we pointed out that there was no taking when the entry by NPC was made "without intent to expropriate or was not made under warrant or color of legal authority."

4.

Awards for rentals, moral damages, exemplary damages, and attorney's fees are deleted

for insufficiency of factual and legal bases

The CA upheld the RTC's granting to the Heirs of Macabangkit of rentals of P 30,000.00/month "from 1979 up to July 1999 with 12% interest per annum" by finding NPC guilty of bad faith in taking possession of the land to construct the tunnel without their knowledge and consent.

Granting rentals is legally and factually bereft of justification, in light of the taking of the land being already justly compensated. Conformably with the ruling in *Manila International Airport Authority v. Rodriguez*,^[44] in which the award of interest was held to render the grant of back rentals unwarranted, we delete the award of back rentals and in its place prescribe interest of 12% interest per annum from November 21, 1997, the date of the filing of the complaint, until the full liability is paid by NPC. The imposition of interest of 12% interest per annum follows a long line of pertinent jurisprudence,^[45] whereby the Court has fixed the rate of interest on just compensation at 12% per annum whenever the expropriator has not immediately paid just compensation.

The RTC did not state any factual and legal justifications for awarding to the Heirs of Macabangkit moral and exemplary damages each in the amount of P200,000.00. The awards just appeared in the fallo of its decision. Neither did the CA proffer any justifications for sustaining the RTC on the awards. We consider the omissions of the lower courts as pure legal error that we feel bound to correct even if NPC did not submit that for our consideration. There was, to begin with, no factual and legal bases mentioned for the awards. It is never trite to remind that moral and exemplary damages, not by any means liquidated or assessed as a matter of routine, always require evidence that establish the circumstances under which the claimant is entitled to them. Moreover, the failure of both the RTC and the CA to render the factual and legal justifications for the moral and exemplary damages in the body of their decisions immediately demands the striking out of the awards for being in violation of the fundamental rule that the decision must clearly state the facts and the law on which it is based. Without the factual and legal justifications, the awards are exposed as the product of conjecture and speculation, which have no place in fair judicial adjudication.

We also reverse and set aside the decree of the RTC for NPC to pay to the Heirs of Macabangkit "the sum equivalent to 15% of the total amount awarded, as attorney's fees, and to pay the cost." The body of the decision did not state the factual and legal reasons why NPC was liable for attorney's fees. The terse statement found at the end of the body of the RTC's decision, stating: "xxx The contingent attorney's fee is hereby reduced from 20% to only 15% of the total amount of the claim that may be awarded to plaintiffs," without more, did not indicate or explain why and how the substantial liability of NPC for attorney's fees could have arisen and been determined.

In assessing attorney's fees against NPC and in favor of the respondents, the RTC casually disregarded the fundamental distinction between the two concepts of attorney's fees -- the ordinary and the extraordinary. These concepts were aptly distinguished in *Traders Royal Bank Employees Union-Independent v. NLRC*,^[46] thuswise:

There are two commonly accepted concepts of attorney's fees, the so-called ordinary and extraordinary. In its ordinary concept, an attorney's fee is the reasonable compensation paid to a lawyer by his client for the legal services he has rendered to the latter. The basis of this compensation is the fact of his employment by and his agreement with the client.

In its extraordinary concept, an attorney's fee is an indemnity for damages ordered by the court to be paid by the losing party in a litigation. The basis of this is any of the cases provided by law where such award can be made, such as those authorized in Article 2208, Civil Code, and is payable not to the lawyer but to the client, unless they have agreed that the award shall pertain to the lawyer as additional compensation or as part thereof.

By referring to the award as contingency fees, and reducing the award from 20% to 15%, the RTC was really referring to a supposed agreement on attorney's fees between the Heirs of Macabangkit and their counsel. As

such, the concept of attorney's fees involved was the ordinary. Yet, the inclusion of the attorney's fees in the judgment among the liabilities of NPC converted the fees to extraordinary. We have to disagree with the RTC thereon, and we express our discomfort that the CA did not do anything to excise the clearly erroneous and unfounded grant.

An award of attorney's fees has always been the exception rather than the rule. To start with, attorney's fees are not awarded every time a party prevails in a suit.[47] Nor should an adverse decision ipso facto justify an award of attorney's fees to the winning party.[48] The policy of the Court is that no premium should be placed on the right to litigate.[49] Too, such fees, as part of damages, are assessed only in the instances specified in Art. 2208, Civil Code.[50] Indeed, attorney's fees are in the nature of actual damages.[51] But even when a claimant is compelled to litigate with third persons or to incur expenses to protect his rights, attorney's fees may still be withheld where no sufficient showing of bad faith could be reflected in a party's persistence in a suit other than an erroneous conviction of the righteousness of his cause.[52] And, lastly, the trial court must make express findings of fact and law that bring the suit within the exception. What this demands is that the factual, legal or equitable justifications for the award must be set forth

not only in the fallo but also in the text of the decision, or else, the award should be thrown out for being speculative and conjectural.[53]

Sound policy dictates that even if the NPC failed to raise the issue of attorney's fees, we are not precluded from correcting the lower courts' patently erroneous application of the law.[54] Indeed, the Court, in supervising the lower courts, possesses the ample authority to review legal matters like this one even if not specifically raised or assigned as error by the parties.

5.

Attorney's fees under quantum meruit principle
are fixed at 10% of the judgment award

Based on the pending motions of Atty. Macarupung Dibaraton and Atty. Manuel D. Ballelos to assert their respective rights to attorney's fees, both contending that they represented the Heirs of Macabangkit in this case, a conflict would ensue from the finality of the judgment against NPC.

A look at the history of the legal representation of the Heirs of Macabangkit herein provides a helpful predicate for resolving the conflict.

Atty. Dibaraton was the original counsel of the Heirs of Macabangkit. When the appeal was submitted for decision in the CA,[55] Atty. Ballelos filed his entry of appearance,[56] and a motion for early decision.[57] Atty. Ballelos subsequently filed also a manifestation,[58] supplemental manifestation,[59]

reply,[60] and ex parte motion reiterating the motion for early decision.[61] It appears that a copy of the CA's decision was furnished solely to Atty. Ballelos. However, shortly before the rendition of the decision, Atty. Dibaraton filed in the CA a motion to register attorney's lien,[62] alleging that he had not withdrawn his appearance and had not been aware of the entry of appearance by Atty. Ballelos. A similar motion was also received by the Court from Atty. Dibaraton a few days after the petition for review was filed.[63] Thus, on February 14, 2005,[64] the Court directed Atty. Dibaraton to enter his appearance herein. He complied upon filing the comment.[65]

Amir Macabangkit confirmed Atty. Dibaraton's representation through an ex parte manifestation that he filed in his own behalf and on behalf of his siblings Mongkoy and Putri.[66] Amir reiterated his manifestation on March 6, 2006,[67] and further imputed malpractice to Atty. Ballelos for having filed an entry of appearance bearing

Amir's forged signature and for plagiarism, i.e., copying verbatim the arguments contained in the pleadings previously filed by Atty. Dibaratun.[68]

On September 11, 2008, Atty. Ballelos submitted two motions, to wit: (a) a manifestation and motion authorizing a certain Abdulmajeed Djamla to receive his attorney's fees equivalent of 15% of the judgment award,[69] and (b) a motion to register his attorney's lien that he claimed was contingent.[70]

Both Atty. Dibaratun and Atty. Ballelos posited that their entitlement to attorney's fees was contingent. Yet, a contract for a contingent fees is an agreement in writing by which the fees, usually a fixed percentage of what may be recovered in the action, are made to depend upon the success in the effort to enforce or defend a supposed right. Contingent fees depend upon an express contract, without which the attorney can only recover on the basis of quantum meruit.[71] With neither Atty. Dibaratun nor Atty. Ballelos presenting a written agreement bearing upon their supposed contingent fees, the only way to determine their right to appropriate attorney's fees is to apply the principle of quantum meruit.

Quantum meruit - literally meaning as much as he deserves - is used as basis for determining an attorney's professional fees in the absence of an express agreement.[72] The recovery of attorney's fees on the basis of quantum meruit is a device that prevents an unscrupulous client from running away with the fruits of the legal services of counsel without paying for it and also avoids unjust enrichment on the part of the attorney himself.[73] An attorney must show that he is entitled to reasonable compensation for the effort in pursuing the client's cause, taking into account certain factors in fixing the amount of legal fees.[74]

Rule 20.01 of the Code of Professional Responsibility lists the guidelines for determining the proper amount of attorney fees, to wit:

Rule 20.1 - A lawyer shall be guided by the following factors in determining his fees:

- a) The time spent and the extent of the services rendered or required;
- b) The novelty and difficult of the questions involved;
- c) The important of the subject matter;
- d) The skill demanded;
- e) The probability of losing other employment as a result of acceptance of the proffered case;
- f) The customary charges for similar services and the schedule of fees of the IBP chapter to which he belongs;
- g) The amount involved in the controversy and the benefits resulting to the client from the service;
- h) The contingency or certainty of compensation;
- i) The character of the employment, whether occasional or established; and
- j) The professional standing of the lawyer.

In the event of a dispute as to the amount of fees between the attorney and his client, and the intervention of the courts is sought, the determination requires that there be evidence to prove the amount of fees and the extent and value of the services rendered, taking into account the facts determinative thereof.[75] Ordinarily, therefore, the determination of the attorney's fees on quantum meruit is remanded to the lower court for the purpose. However, it will be just and equitable to now assess and fix the attorney's fees of both attorneys in order that the resolution of "a comparatively simple controversy," as Justice Regalado put it in *Traders Royal Bank Employees Union-Independent v. NLRC*,^[76] would not be needlessly prolonged, by taking into due consideration the

accepted guidelines and so much of the pertinent data as are extant in the records.

Atty. Dibratun and Atty. Ballelos each claimed attorney's fees equivalent to 15% of the principal award of P113,532,500.00, which was the amount granted by the RTC in its decision. Considering that the attorney's fees will be defrayed by the Heirs of Macabangkit out of their actual recovery from NPC, giving to each of the two attorney's 15% of the principal award as attorney's fees would be excessive and unconscionable from the point of view of the clients. Thus, the Court, which holds and exercises the power to fix attorney's fees on a quantum meruit basis in the absence of an express written agreement between the attorney and the client, now fixes attorney's fees at 10% of the principal award of P113,532,500.00.

Whether it is Atty. Dibratun or Atty. Ballelos, or both, who should receive attorney's fees from the Heirs of Macabangkit is a question that the Court must next determine and settle by considering the amount and quality of the work each performed and the results each obtained.

Atty. Dibratun, the attorney from the outset, unquestionably carried the bulk of the legal demands of the case. He diligently prepared and timely filed in behalf of the Heirs of Macabangkit every pleading and paper necessary in the full resolution of the dispute, starting from the complaint until the very last motion filed in this Court. He consistently appeared during the trial, and examined and cross-examined all the witnesses presented at that stage of the proceedings. The nature, character, and substance of each pleading and the motions he prepared for the Heirs of Macabangkit indicated that he devoted substantial time and energy in researching and preparing the case for the trial. He even advanced P250,000.00 out of his own pocket to defray expenses from the time of the filing of the motion to execute pending appeal until the case reached the Court.[77] His representation of all the Heirs of Macabangkit was not denied by any of them.

We note that Atty. Dibratun possessed some standing in the legal profession and in his local community. He formerly served as a member of the Board of Director of the Integrated Bar of the Philippines (IBP), Lanao del Norte-Iligan City Chapter, and was an IBP national awardee as Best Legal Aid Committee Chairman. He taught at Mindanao State University College of Law Extension. He was a Municipal Mayor of Matungao, Lanao del Norte, and was enthroned Sultan a Gaus.

In contrast, not much about the character and standing of Atty. Ballelos, as well as the nature and quality of the legal services he rendered for the Heirs of Macabangkit are in the records. The motions he filed in the

Court and in the CA lacked enlightening research and were insignificant to the success of the clients' cause. His legal service, if it can be called that, manifested no depth or assiduousness, judging from the quality of the pleadings from him. His written submissions in the case appeared either to have been lifted verbatim from the pleadings previously filed by Atty. Dibratun, or to have been merely quoted from the decisions and resolutions of the RTC and the CA. Of the Heirs of Macabangkit, only Cebu, Batowa-an, Sayana, Nasser, Manta, Mongkoy[78] and Edgar gave their consent to Atty. Ballelos to appear in their behalf in the CA, which he did despite Atty. Dibratun not having yet filed any withdrawal of his appearance. The Court did not receive any notice of appearance for the Heirs of Macabangkit from Atty. Ballelos, but that capacity has meanwhile become doubtful in the face of Amir's strong denial of having retained him.

In fairness and justice, the Court accords full recognition to Atty. Dibratun as the counsel de parte of the Heirs of Macabangkit who discharged his responsibility in the prosecution of the clients' cause to its successful end. It is he, not Atty. Ballelos, who was entitled to the full amount of attorney's fees that the clients ought to pay to their attorney. Given the amount and quality of his legal work, his diligence and the time he expended in ensuring the success of his prosecution of the clients' cause, he deserves the recognition, notwithstanding that some of the clients might appear to have retained Atty. Ballelos after the rendition of a favorable judgment.[79]

Atty. Ballelos may claim only from Cebu, Batowa-an, Sayana, Nasser, Manta and Edgar, the only parties who engaged him. The Court considers his work in the case as very minimal. His compensation under the quantum meruit principle is fixed at P5,000.00, and only the Heirs of Macabangkit earlier named are liable to him.

WHEREFORE, the Court AFFIRMS the decision promulgated on October 5, 2004 by the Court of Appeals, subject to the following MODIFICATIONS, to wit:

- (a) Interest at the rate of 12% per annum is IMPOSED on the principal amount of P113,532,500.00 as just compensation, reckoned from the filing of the complaint on November 21, 1997 until the full liability is paid;
- (b) The awards of P30,000.00 as rental fee, P200,000.00 as moral damages, and P200,000.00 as exemplary damages are DELETED; and
- (c) The award of 15% attorney's fees decreed to be paid by National Power Corporation to the Heirs of Macabangkit is DELETED.

The Court PARTLY GRANTS the motion to register attorney's lien filed by Atty. Macarupung Dibratun, and FIXES Atty. Dibratun's attorney's fees on the basis of quantum meruit at 10% of the principal award of P113,532,500.00.

The motion to register attorney's lien of Atty. Manuel D. Ballelos is PARTLY GRANTED, and Atty. Ballelos is DECLARED ENTITLED TO RECOVER from Cebu, Batowa-an, Sayana, Nasser, Manta and Edgar, all surnamed Macabangkit, the amount of P5,000.00 as attorney's fees on the basis of quantum meruit.

Costs of suit to be paid by the petitioner.

SO ORDERED.

Corona, C.J., (Chairperson), Leonardo-De Castro, Del Castillo, and Villarama, Jr., JJ., concur.

[*] Substituted by Josefina Salvador Macabangkit, his surviving wife, and children Malic, Paisal, Michelle and Mongkoy, all surnamed Macabangkit, per the Resolution dated October 20, 2008, at rollo, p. 526.

[1] Rollo, pp. 51-63; penned by Associate Justice Arturo G. Tayag (retired), with Associate Justice Estela M. Perlas-Bernabe and Associate Justice Edgardo A. Camello concurring.

[2] CA rollo, p. 22.

[3] Original Records, pp. 1-6; the suit was docketed as Civil Case No. 4094 and was entitled Heirs of Macabangkit Sangkay, namely: Cebu, Batowa-an, Sayana, Nasser, Manta, Edgar, Putri, Mongkoy, and Amir, all surnamed Macabangkit, v. National Power Corporation.

[4] Id., pp. 43-45.

[5] Id., p. 64.

[6] Id., pp. 143-163.

[7] Id., p. 164.

[8] Id., p. 175.

[9] Id., pp. 165-170.

[10] *Id.*, pp. 200-202.

[11] See *Heirs of Macabangkit Sangkay v. National Power Corporation*, G.R. No. 141447, May 4, 2006, 489 SCRA 401.

[12] *Rollo*, pp. 62-63.

[13] *National Power Corporation v. Court of Appeals*, G.R. No. 106804, August 12, 2004, 436 SCRA 195, 208.

[14] *Rollo*, pp. 59-66.

[15] TSN dated March 2, 1999, pp. 16-32.

[16] *Id.*, pp. 10-11.

[17] *Id.*, pp. 58-59.

[18] *Id.*, pp. 80-81.

[19] *Id.*, pp. 102-106.

[20] *Rollo*, p. 60.

[21] *Id.*, p. 62.

[22] Article 635. All matters concerning easements established for public or communal use shall be governed by the special laws and regulations relating thereto, and, in the absence thereof, by the provisions of this Title (550).

[23] Section 3. xxx

xxx

(g). To construct, operate and maintain power plants, auxiliary plants, dams, reservoirs, pipes, mains, transmission lines, power stations and substations, and other works for the purpose of developing hydraulic power from any river, creek, lake, spring and waterfall in the Philippines and supplying such power to the inhabitants thereof; xxx.

[24] *Philippine Telegraph & Telephone Corporation v. National Labor Relations Commission*, G.R. No. 147002, April 15, 2005, 456 SCRA 264, 279; *David v. Cordova*, G.R. No. 152992, July 28, 2005, 464 SCRA 384, 402.

[25] *National Food Authority (NFA) v. Masada Security Agency, Inc.*, G.R. No. 163448, March 8, 2005, 453 SCRA 70, 79.

[26] According to 29A CJS, *Eminent Domain*, §381: "Inverse condemnation is a cause of action against a governmental defendant to recover the value of property which has been taken in fact by the governmental defendant, even though no formal exercise of the power of eminent domain has been attempted by the taking agency. While the typical taking occurs when the government acts to condemn property in the exercise of its power of eminent domain, the entire doctrine of inverse condemnation is predicated on the proposition that a taking may occur without such formal proceedings. The phrase "inverse condemnation," as a common understanding of that phrase would suggest, simply describes an action that is the "inverse" or "reverse" of a condemnation proceeding."

[27] *National Power Corporation v. Manubay Agro-Industrial Development Corporation*, G.R. No. 150936, August 18, 2004, 437 SCRA 60, 68.

[28] Article 19. Every person must, in the exercise of his rights and in the performance of his duties, act with

justice, give everyone his due, and observe honesty and good faith.

[29] Cebu Country Club, Inc. v. Elizagaque, G.R. No. 160273, January 18, 2008, 542 SCRA 65, 74-75.

[30] Constitution, Article III, Section 9.

[31] 29A CJS, Eminent Domain, §381, citing State v. Hollis, 379 P.2d 750, 93 Ariz. 200; Marin Municipal Water District v. City of Mill Valley, 1 Dist., 249 Cal. Rptr. 469, 202 C.A.3d 1161;

[32] 29A CJS, Eminent Domain, §381, citing Schultz v. United States, Cl.Ct., 5 Cl.Ct. 412; Rose v. City of Coalinga, 5 Dist., 236 Cal. Rptr. 124, 190 C.A. 3d 1627; Adams v. City of Atlanta, 322 S.E.2d 730, 253 Ga. 581; State v. Malone, Civ. App., 168 S.W.2d 292.

[33] G.R. No. 168732, June 29, 2007, 526 SCRA 149.

[34] Id., p. 163.

[35] Id., pp. 163-164; See also National Power Corporation v. Manubay Agro-Industrial Development Corporation, G.R. No. 150936, August 18, 2004, 437 SCRA 60, where it was held that even an easement of right-of-way that effectively limits the owner's right to use the land for an indefinite period of time, thus depriving the owner of the normal use of the land, warranted the payment of just compensation that must be neither more nor less than the monetary equivalent of the land.

[36] 29A CJS, Eminent Domain, §82, citing Stearns v. Smith, D.C.Tex, 551 F. Supp. 32; Wright v. Shugrue, 425 A.2d 549, 178 Conn. 710; Horstein v. Barry, App., 560 A.2d 530; and Gasque v. Town of Conway, 8 S.E.2d 871, 194 S.C. 15.

[37] Id., citing United States v. General Motors Corporation, Ill., 65 S Ct. 357, 323 US 373, 89 L. Ed. 311; and Midwest Video Corporation v. F.C.C., C.A.8, 571 F.2d 1025, affirmed 99 S.Ct. 1435, 440 US 689, 59 L. E.2d 692.

[38] Id., citing United States v. Dickinson, W.Va., 67 S.Ct. 1382, 331 US 745, 91 L.Ed. 1789; Portsmouth Harbor Land & Hotel Co. v. United States, Ct.Cl., 43 S.Ct. 135, 260 US 327, 67 L.Ed. 287; Bernstein v. Bush, 177 P.2d 913, 29 C.2d 773.

[39] Id., citing Eaton v. Boston, C. & M.R. Co., 51 N.H.504; Lea v. Louisville, & N.R. Co., 188 S.W. 215, 135 Tenn. 560.

[40] Id., citing Frustuck v. City of Fairfax, 28 Cal. Rptr. 357, 212 C.A.2d 345; Midgett v. North Carolina State Highway Commission, 132 S.E.2d 599, 260 N.C. 241; Morrison v. Clakamas Country, 18 P.2d 814, 141 Or. 564.

[41] Original Records, pp. 161-162.

[42] G.R. No. 113194, March 11, 1996, 254 SCRA 577.

[43] Id., p. 588.

[44] G.R. No. 161836, February 28, 2006, 483 SCRA 619.

[45] Apo Fruits Corporation v. Land Bank of the Philippines, G.R. No. 164195, October 12, 2010, 632 SCRA 727; Curata v. Philippine Ports Authority, G.R. No. 154211-12, June 22, 2009, 590 SCRA 214; Philippine Ports Authority v. Rosales-Bondoc, G.R. No. 173392, August 24, 2007, 531 SCRA 198; Land Bank v. Imperial, G.R. No. 157753, February 12, 2007, 515 SCRA 449; Republic v. Court of Appeals, G.R. No. 147245, March 31, 2005, 454 SCRA 516; Land Bank v. Wycoco, G.R. No. 140160, January 13, 2004, 419 SCRA 67; Reyes v.

National Housing Authority, G.R. No. 147511, January 20, 2003, 395 SCRA 494; Republic v. Court of Appeals, G.R. No. 146587, July 2, 2002, 383 SCRA 611; Eastern Shipping Lines, Inc. v. Court of Appeals, G.R. No. 97412, July 12, 1994, 234 SCRA 78.

[46] 579 SCRA 509 G.R. No. 120592, March 14, 1997, 269 SCRA 733, 740. The ruling has been cited in Masmud v. National Labor Relations Commission (First Division), G.R. No. 183385, February 13, 2009, 579 SCRA 509 and Orocio v. Anguluan, G.R. Nos. 179892-93, January 30, 2009, 577 SCRA 53, among others.

[47] Ballesteros v. Abion, February 9, 2006, 143361, 482 SCRA 23, 39; Car Cool Philippines, Inc. v. Ushio Realty and Development Corporation, G.R. No. 138088, January 23, 2006, 479 SCRA 404; Filipinas Broadcasting Network, Inc. v. Ago Medical and Educational Center-Bicol Christian College of Medicine, G.R. No. 141994, January 17, 2005, 448 SCRA 413.

[48] "J" Marketing Corporation v. Sia, Jr., 349 Phil 513, 518; 285 SCRA 580, 584.

[49] Frias v. San Diego-Sison, G.R. No. 155223, April 3, 2009, 520 SCRA 244, 259-260; Country Bankers Insurance Corporation v. Lianga Bay and Community Multi-purpose Cooperative, Inc., G.R. No. 136914, January 25, 2002, 374 SCRA 653; Ibaan Rural Bank, Inc. v. Court of Appeals, G.R. No. 123817, December 17, 1999, 321 SCRA 88; Morales v. Court of Appeals, G.R. No. 117228, June 19, 1997, 274 SCRA 282, 309; Philippine Air Lines v. Miano, G.R. No. 106664, March 8, 1995, 242 SCRA 235, 240; Firestone Tire & Rubber Co. of the Phils. v. Ines Chaves & Co., Ltd., No. L-17106, October 19, 1966, 18 SCRA 356, 358.

[50] Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

[51] *Fores vs. Miranda*, 105 Phil., 266.

[52] *Felsan Realty & Development Corporation v. Commonwealth of Australia*, G.R. No. 169656, October 11, 2007, 535 SCRA 618, 631-632; *ABS-CBN Broadcasting Corporation v. Court of Appeals*, G.R. No. 128690,

January 21, 1999, 301 SCRA 572, 601.

[53] Villanueva v. Salvador, G. R. No. 139436, January 25, 2006, 480 SCRA 39, 52; Mindex Resources Development v. Morillo, G.R. No. 138123, March 12, 2002, 379 SCRA 144, 157; Valiant Machinery & Metal Corporation v. NLRC, G.R. No. 105877, January 25, 1996, 252 SCRA 369; Scott Consultants and Resource Development Corporation v. Court of Appeals, G.R. No. 112916, March 16, 1995, 242 SCRA 393, 406.

[54] See De Ouano v. Republic, G.R. No. 168770, February 9, 2011; Brent Hospital Inc. v. NLRC, G.R. No. 117593, July 10, 1998, 292 SCRA 304 (the Court deleted the award of attorney's fees although not raised as an issue).

[55] CA Rollo, p. 154.

[56] Id., pp. 162-163.

[57] Id., pp. 156-160.

[58] Id., pp. 164-165.

[59] Id., pp. 166-168.

[60] Id., pp. 181-185.

[61] Id., pp. 186-187.

[62] Id., pp. 213-219.

[63] Rollo, pp. 141-154.

[64] Id., pp. 267-268.

[65] Id., pp. 328-347.

[66] Id., pp. 180-181.

[67] Id., pp. 430-435.

[68] Amir Macabangkit also denied having authorized one Mrs. Manta Macabangkit Lao to represent him in negotiating, collecting and receiving his share in the pending action, and thereby denied, revoked and terminated any Special Power of Attorney in favor of Lao.

[69] Rollo, pp. 493-494.

[70] Id., pp. 495-505.

[71] Agpalo, Legal and Judicial Ethics (2009), p. 408.

[72] Garcia v. Bala, A.C. No. 5039, November 25, 2005, 476 SCRA 85, 95.

[73] Pineda v. De Jesus, G.R. No. 155224, August 23, 2006, 499 SCRA 608, 612.

[74] Garcia v. Bala, supra note 72.

[75] Agpalo, op. cit., p. 418.

[76] G.R. No. 120592, March 14, 1997, 269 SCRA 733, 753-754.

[77] Rollo, pp. 143-144.

[78] Atty. Ballelos' right to represent Mongkoy was terminated by Mongkoy's death. Thereafter, the heirs of Mongkoy called on Atty. Dibratun for their appropriate substitution and representation in the action.

[79] Agpalo, *op. cit.*, p. 397.

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.