

MUNICIPALITY OF TIWI, REPRESENTED BY HON. MAYOR JAIME C. VILLANUEVA AND THE SANGGUNIANG BAYAN OF TIWI, PETITIONERS, VS. ANTONIO B. BETITO, RESPONDENT.

G.R. No. 171873. July 09, 2010

Ponente: DEL CASTILLO, J.

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DEL CASTILLO, J.:

A judgment on the pleadings is proper when the answer admits all the material averments of the complaint. But where several issues are properly tendered by the answer, a trial on the merits must be resorted to in order to afford each party his day in court.

This Petition for Review on Certiorari seeks to reverse and set aside the Court of Appeal's (CA) October 19, 2005 Decision[1] in CA G.R. CV No. 79057, which affirmed the March 3, 2001 Partial Decision[2] of the Regional Trial Court (RTC) of Quezon City, Branch 96 in Civil Case No. Q-99-39370, and the March 10, 2006 Resolution[3] denying petitioner's motion for reconsideration.

Factual Antecedents

The instant case is an offshoot of *National Power Corporation v. Province of Albay*[4] and *Salalima v. Guingona, Jr.*[5] It is, thus, necessary to revisit some pertinent facts from these cases in order to provide an adequate backdrop for the present controversy.

On June 4, 1990, this Court issued a Decision in the case of *National Power Corporation v. Province of Albay* finding, among others, the National Power Corporation (NPC) liable for unpaid real estate taxes from June 11, 1984 to March 10, 1987 on its properties located in the Province of Albay (Albay). These properties consisted of geothermal plants in the Municipality of Tiwi (Tiwi) and substations in the Municipality of Daraga. Previously, the said properties were sold at an auction sale conducted by Albay to satisfy NPC's tax liabilities. As the sole bidder at the auction, Albay acquired ownership over said properties.

On July 29, 1992, the NPC, through its then President Pablo Malixi (President Malixi), and Albay, represented by then Governor Romeo R. Salalima (Governor Salalima), entered into a Memorandum of Agreement (MOA) where the former agreed to settle its tax liabilities estimated at P214,845,104.76. The MOA provided, among others, that: (1) the actual amount collectible from NPC will have to be recomputed/revalidated; (2) NPC shall make an initial payment of P17,763,000.00 upon signing of the agreement; (3) the balance of the recomputed/revalidated amount (less the aforesaid initial payment), shall be paid in 24 equal monthly installments to commence in September 1992; and (4) ownership over the auctioned properties shall revert to NPC upon satisfaction of the tax liabilities.

On August 3, 1992, then Mayor Naomi C. Corral (Mayor Corral) of Tiwi formally requested Governor Salalima to remit the rightful tax shares of Tiwi and its barangays where the NPC's properties were located relative to the payments already made by NPC to Albay. On even date, the Sangguniang Bayan of Tiwi passed Resolution No.

12-92 requesting the Sangguniang Panlalawigan of Albay to hold a joint session for the purpose of discussing the distribution of the NPC payments.

On August 10, 1992, Governor Salalima replied that the request cannot be granted as the initial payment amounting to P17,763,000.00 was only an "earnest money" and that the total amount to be collected from the NPC was still being validated.

Due to the brewing misunderstanding between Tiwi and the concerned barangays on the one hand, and Albay on the other, and so as not to be caught in the middle of the controversy, NPC requested a clarification from the Office of the President as to the scope and extent of the shares of the local government units in the real estate tax collections.

On August 30, 1992, the Sangguniang Bayan of Tiwi passed Resolution No. 15-92 authorizing Mayor Corral to hire a lawyer to represent Tiwi and its barangays in the recovery of their rightful share in the aforesaid realty taxes. Thereafter, Mayor Corral sought the services of respondent Atty. Antonio B. Betito (respondent) and Atty. Alberto Lawenko (Atty. Lawenko). As a result, on January 25, 1993, Mayor Corral, representing Tiwi, and respondent and Atty. Lawenko entered into a Contract of Legal Services (subject contract). The subject contract provided, among others, that respondent and Atty. Lawenko would receive a 10% contingent fee on whatever amount of realty taxes that would be recovered by Tiwi through their efforts.

On December 3, 1992, the Office of the President, through then Chief Presidential Legal Counsel Antonio T. Carpio,[6] opined that the MOA entered into by NPC and Albay merely recognized and established NPC's realty taxes. He further clarified that the sharing scheme and those entitled to the payments to be made by NPC under the MOA should be that provided under the law, and since Tiwi is entitled to share in said realty taxes, NPC may remit such share directly to Tiwi, viz:

x x x x

The Memorandum of Agreement entered into by the Province of Albay and NPC merely enunciates the tax liability of NPC. The Memorandum of Agreement does not provide for the manner of payment of NPC's liability. Thus, the manner of payment as provided for by law shall govern. In any event, the Memorandum of Agreement cannot amend the law allowing the payment of said taxes to the Municipality of Tiwi.

The decision in the case of NPC v. Province of Albay (186 SCRA 198), likewise, only established the liability of NPC for real property taxes but does not specifically provide that said back taxes be paid exclusively to Albay province.

Therefore, it is our opinion that the NPC may pay directly to the municipality of Tiwi the real property taxes accruing to the same.

Please be guided accordingly.

Very truly yours,

(Sgd.)

ANTONIO T. CARPIO

Chief Presidential Legal Counsel[7]

Because of this opinion, NPC President Malixi, through a letter dated December 9, 1992, informed Mayor Corral and Governor Salalima that starting with the January 1993 installment, NPC will directly pay Tiwi its share in the payments under the MOA. As of December 9, 1992, payments made by NPC to Albay reached P40,724,471.74.

On December 19, 1992, in an apparent reaction to NPC's Decision to directly remit to Tiwi its share in the

payments made and still to be made pursuant to the MOA, the Sangguniang Panlalawigan of Albay passed Ordinance No. 09-92, which, among others: (1) authorized the Provincial Treasurer upon the direction of the Provincial Governor to sell the real properties (acquired by Albay at the auction sale) at a public auction, and to cause the immediate transfer thereof to the winning bidder; and (2) declared as forfeited in favor of Albay, all the payments already made by NPC under the MOA.

From Albay's refusal to remit Tiwi's share in the aforementioned P40,724,471.74 stemmed several administrative complaints and court cases that respondent allegedly handled on behalf of Tiwi to recover the latter's rightful share in the unpaid realty taxes, including the case of *Salalima v. Guingona, Jr.* In this case, the Court held, among others, that the elective officials of Albay are administratively liable for abuse of authority due to their unjustified refusal to remit the rightful share of Tiwi in the subject realty taxes.

The present controversy arose when respondent sought to enforce the Contract of Legal Services after rendering the aforementioned legal services which allegedly benefited Tiwi. In his Complaint^[8] for sum of money against Tiwi, represented by then Mayor Patricia Gutierrez, Vice Mayor Vicente Tomas Vera III, Sangguniang Bayan Members Rosana Parcia, Nerissa Cotara, Raul Corral, Orlando Lew Velasco, Liberato Ulysses Pacis, Lorenzo Carlet, Bernardo Costo, Jaime Villanueva, Benneth Templado and Municipal Treasurer Emma Cordovales (collectively petitioners), respondent claims that he handled numerous cases which resulted to the recovery of Tiwi's share in the realty taxes. As a result of these efforts, Tiwi was able to collect the amount of P110,985,181.83 and another P35,594,480.00 from the NPC as well as other amounts which will be proven during the trial. Under the Contract of Legal Services, respondent is entitled to 10% of whatever amount that would be collected from the NPC. However, despite repeated demands for the Sangguniang Bayan of Tiwi to pass an appropriate ordinance for the payment of his attorney's fees, the former refused to pass the ordinance and to pay what is justly owed him. Respondent prayed that Tiwi be ordered to pay P11,000,000.00 in attorney's fees and 10% of the other amounts to be determined during trial plus interest and damages; that the Sangguniang Bayan be ordered to pass the necessary appropriation ordinance; that the municipal treasurer surrender all the receipts of payments made by the NPC to Tiwi from January 1993 to December 1996 for the examination of the court; and that Tiwi pay P500,000.00 as attorney's fees.

In their Answer,^[9] petitioners admitted that the Sangguniang Bayan of Tiwi passed Resolution No. 15-92 but denied that said resolution authorized then Mayor Corral to enter into the subject contract. In particular, Mayor Corral exceeded her authority when she bound Tiwi to a gargantuan amount equivalent to 10% of the amount of realty taxes recovered from NPC. Further, the legal services under the subject contract should have been limited to the execution of the decision in *National Power Corporation v. Province of Albay* as per Resolution No. 15-92. For these reasons, the subject contract is void, unenforceable, unconscionable and unreasonable. Petitioners further claim that they are not aware of the cases which respondent allegedly handled on behalf of Tiwi since these cases involved officials of the previous administration; that some of these cases were actually handled by the Office of the Solicitor General; and that these were personal cases of said officials. In addition, the Contract of Legal Services was not ratified by the Sangguniang Bayan of Tiwi in order to become effective. Petitioners also raise the defense that the realty taxes were recovered by virtue of the opinion rendered by then Chief Presidential Legal Counsel Antonio T. Carpio and not through the efforts of respondent.

As to the amount of P110,985,181.83 in realty taxes, the same was received by Albay and not Tiwi while the amount of P35,594,480.00 is part of the share of Tiwi in the utilization of the national wealth. Furthermore, in a Commission on Audit (COA) Memorandum dated January 15, 1996, the COA ruled that the authority to pass upon the reasonableness of the attorney's fees claimed by respondent lies with the Sangguniang Bayan of Tiwi. Pursuant to this memorandum, the Sangguniang Bayan of Tiwi passed Resolution No. 27-98 which declared the

subject contract invalid. Petitioners also allege that the contract is grossly disadvantageous to Tiwi and that respondent is guilty of laches because he lodged the present complaint long after the death of Mayor Corral; and that the amount collected from NPC has already been spent by Tiwi.

On November 7, 2000, respondent filed a motion^[10] for partial judgment on the pleadings and/or partial summary judgment.

Regional Trial Court's Ruling

On March 3, 2001, the trial court rendered a partial judgment on the pleadings in favor of respondent:

WHEREFORE, partial judgment on the pleadings is rendered ordering the defendant Municipality of Tiwi, Albay to pay the plaintiff the sum of P14,657,966.18 plus interest at the legal rate from the filing of the complaint until payment is fully delivered to the plaintiff; and, for this purpose, the defendant Sangguniang Bayan of Tiwi, represented by the co-defendants officials, shall adopt and approve the necessary appropriation ordinance.

Trial to receive evidence on the remaining amounts due and payable to the plaintiff pursuant to the contract of legal services shall hereafter continue, with notice to all the parties.

SO ORDERED.^[11]

The trial court held that petitioners' answer to the complaint failed to tender an issue, thus, partial judgment on the pleadings is proper. It noted that petitioners did not specifically deny under oath the actionable documents in this case, particularly, the Contract of Legal Services and Resolution No. 15-92. Consequently, the genuineness and due execution of these documents are deemed admitted pursuant to Section 8, Rule 8 of the Rules of Court. Thus, the authority of Mayor Corral to enter into the subject contract was deemed established.

It added that the authority given to Mayor Corral to hire a lawyer was not only for the purpose of executing the decision in National Power Corporation v. Province of Albay but extended to representing the interest of Tiwi in other cases as well. Further, the said resolution did not impose as a condition precedent the ratification of the subject contract by the Sangguniang Bayan in order to render it effective. Lastly, the trial court ruled that the answer admitted, through a negative pregnant, that Tiwi was paid the amounts of P110,985,181.83 and P35,594,480.00, hence, respondent is entitled to 10% thereof as attorney's fees under the terms of the subject contract.

Court of Appeal's Ruling

In its assailed October 19, 2005 Decision, the CA affirmed the Decision of the trial court:

WHEREFORE, premises considered, the Partial Decision of the Regional Trial Court of Quezon City, Branch 96, dated March 3, 2001, is AFFIRMED.

SO ORDERED.^[12]

The appellate court agreed with the trial court that the genuineness and due execution of the Contract of Legal Services and Resolution No. 15-92 was impliedly admitted by petitioners because of their failure to make a verified specific denial thereof. Further, the answer filed by the petitioners admitted the material averments of the complaint concerning Tiwi's liability under the subject contract and its receipt from the NPC of a total of P146,579,661.84 as realty taxes. Petitioners cannot claim that the subject contract required ratification because this

is not a requisite for the enforceability of a contract against a local government unit under the express terms of the

contract and the provisions of the Local Government Code (LGC). Also, petitioners are estopped from questioning the enforceability of the contract after having collected and enjoyed the benefits derived therefrom.

The appellate court found nothing objectionable in the stipulated contingent fee of 10% as this was voluntarily agreed upon by the parties and allowed under existing jurisprudence. The fee was justified given the numerous administrative and court cases successfully prosecuted and defended by the respondent in the face of the provincial government's stubborn refusal to release Tiwi's share in the realty taxes paid by NPC. The stipulated fee is not illegal, unreasonable or unconscionable. It is enforceable as the law between the parties.

Issues

Petitioners raise the following issues for our resolution:

- The amount of award of attorney's fees to respondent is unreasonable, unconscionable and without any proof of the extent, nature and "result of his legal service" as required by the purported "contract of legal services" and pursuant to Section 24, Rule 138 of the Rules of Court.
- The application of the rule of judgment on the pleadings and/or summary judgment is baseless, improper and unwarranted in the case at bar.
- The purported "contract of legal services" exceeded the authority of the late Mayor Corral and should have been ratified by the Sangguniang Bayan of Tiwi in order to be enforceable.[13]

Petitioners' Arguments

Petitioners claim that their answer raised factual issues and defenses which merited a full-blown trial. In their answer, they asserted that the 10% contingent fee is unreasonable, unconscionable and unfounded considering that respondent did not render any legal service which accrued to the benefit of Tiwi. The Contract of Legal Services specifically provided that for the attorney's fees to accrue, respondent's legal services should result to the recovery of Tiwi's claims against Albay and NPC. It is, thus, incumbent upon respondent to prove in a trial on the merits that his legal efforts resulted to the collection of the realty taxes in favor of Tiwi. Petitioners belittle as mere messengerial service the legal services rendered by respondent on the ground that what remained to be done was the execution of the judgment of this Court in *National Power Corporation v. Province of Albay* and the opinion of then Chief Presidential Legal Counsel Antonio T. Carpio.

In their answer, petitioners also questioned the authority of Mayor Corral to enter into the subject contract providing for a 10% contingent fee because the provisions of Resolution No. 15-92 do not grant her such power. In addition, under the said contract, Tiwi was made liable for legal services outside of those related to the satisfaction of the judgment in *National Power Corporation v. Province of Albay*. These stipulations are void and unenforceable. Hence, any claim of respondent must be based on quantum meruit which should be threshed out during a full-blown trial.

Finally, petitioners argue that respondent cannot capitalize on the admission of the genuineness and due execution of the subject contract because this merely means that the signature of the party is authentic and the execution of the contract complied with the formal solemnities. This does not extend to the document's substantive validity and efficacy.

Respondent's Arguments

Respondent counters that the Contract of Legal Services was not limited to the NPC case but to other services done pursuant to said contract. Thus, the attorney's fees should cover these services as well. He also stresses that despite this Court's ruling in *National Power Corporation v. Province of Albay* and the opinion of then Chief

Presidential Legal Counsel Antonio T. Carpio, Governor Salalima and the Sangguniang Panlalawigan of Albay stubbornly resisted and disobeyed the same. Consequently, respondent prosecuted and defended on behalf of Tiwi several administrative and court cases involving the elective officials of Albay to compel the latter to comply with the aforesaid issuances. He also filed a civil case to prevent the NPC from remitting Tiwi's share in the realty taxes directly to Albay.

Respondent adds that he also acted as counsel for Mayor Corral after Governor Salalima and his allies sought to remove Mayor Corral in retaliation to the administrative cases that she (Mayor Corral) previously filed against Governor Salalima for the latter's failure to remit Tiwi's share in the realty taxes. These administrative cases reached this Court in *Salalima v. Guingona, Jr.* where respondent appears as the counsel of record of Mayor Corral and the other local officials of Tiwi. The filing and handling of these cases belies petitioners' claim that what respondent did for Tiwi was a mere messengerial service.

Respondent also argues that the Contract of Legal Services is valid and enforceable due to petitioners' failure to specifically deny the same under oath in their Answer. Moreover, the law does not require that the subject contract be ratified by the Sangguniang Bayan in order to become enforceable. Instead, the law merely requires that the Sangguniang Bayan authorize the mayor to enter into contracts as was done here through Resolution No. 15-92.

Last, the 10% attorney's fees in the subject contract is reasonable, more so because the fee is contingent in nature. In a long line of cases, it has been ruled that a 10% attorney's fees of the amount recoverable is reasonable.

Our Ruling

The petition is meritorious.

Judgment on the pleadings is improper
when the answer to the complaint
tenders several issues.

A motion for judgment on the pleadings admits the truth of all the material and relevant allegations of the opposing party and the judgment must rest on those allegations taken together with such other allegations as are admitted in the pleadings.[14] It is proper when an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading.[15] However, when it appears that not all the material allegations of the complaint were admitted in the answer for some of them were either denied or disputed, and the defendant has set up certain special defenses which, if proven, would have the effect of nullifying plaintiff's main cause of action, judgment on the pleadings cannot be rendered.[16]

In the instant case, a review of the records reveal that respondent (as plaintiff) and petitioners (as defendants) set-up multiple levels of claims and defenses, respectively, with some failing to tender an issue while others requiring the presentation of evidence for resolution. The generalized conclusion of both the trial and appellate courts that petitioners' answer admits all the material averments of the complaint is, thus, without basis. For this reason, a remand of this case is unavoidable. However, in the interest of justice and in order to expedite the disposition of this case which was filed with the trial court way back in 1999, we shall settle the issues that can be resolved based on the pleadings and remand only those issues that require a trial on merits as hereunder discussed.

Preliminarily, it was erroneous for the trial court to rule that the genuineness and due execution of the Contract of Legal Services was impliedly admitted by petitioners for failure to make a sworn specific denial thereof as required by Section 8,[17] Rule 8 of the Rules of Court. This rule is not applicable when the adverse party does not appear to be a party to the instrument.[18] In the instant case, the subject contract was executed between

respondent and Atty. Lawenko, on the one hand, and Tiwi, represented by Mayor Corral, on the other. None of the petitioners, who are the incumbent elective and appointive officials of Tiwi as of the filing of the Complaint, were parties to said contract. Nonetheless, in their subsequent pleadings,[19] petitioners admitted the genuineness and due execution of the subject contract. We shall, thus, proceed from the premise that the genuineness and due execution of the Contract of Legal Services has already been established. Furthermore, both parties concede the contents and efficacy of Resolution 15-92. As a result of these admissions, the issue, at least as to the coverage of the subject contract, may be resolved based on the pleadings as it merely requires the interpretation and application of the provisions of Resolution 15-92 vis-à-vis the stipulations in the subject contract.

Mayor Corral was authorized to enter into the Contract of Legal Services

Petitioners argue that Resolution No. 15-92 did not authorize Mayor Corral to enter into the subject contract, hence, the contract must first be ratified to become binding on Tiwi.

The argument is unpersuasive. Section 444(b)(1)(vi) of the LGC provides:

SECTION 444. The Chief Executive: Powers, Duties, Functions and Compensation. -- x x x

(b) For efficient, effective and economical governance the purpose of which is the general welfare of the municipality and its inhabitants pursuant to Section 16 of this Code, the municipal mayor shall: x x x

(1) Exercise general supervision and control over all programs, projects, services, and activities of the municipal government, and in this connection, shall: x x x

(vi) Upon authorization by the sangguniang bayan, represent the municipality in all its business transactions and sign on its behalf all bonds, contracts, and obligations, and such other documents made pursuant to law or ordinance; x x x

Pursuant to this provision, the municipal mayor is required to secure the prior authorization of the Sangguniang Bayan before entering into a contract on behalf of the municipality. In the instant case, the Sangguniang Bayan of Tiwi unanimously passed Resolution No. 15-92 authorizing Mayor Corral to hire a lawyer of her choice to represent the interest of Tiwi in the execution of this Court's Decision in *National Power Corporation v. Province of Albay* -

RESOLUTION AUTHORIZING THE MUNICIPAL MAYOR OF TIWI TO HIRE THE SERVICES OF A LAWYER TO REPRESENT THE MUNICIPALITY OF TIWI AND THE SIX GEOTHERMAL BARANGAYS IN THE EXECUTION OF G.R. NO. 87479 AND DIVESTING THE LAWYER HIRED BY THE PROVINCIAL GOVERNOR AND THE PROVINCE OF ALBAY OF ITS AUTHORITY TO REPRESENT THE MUNICIPALITY OF TIWI AND THE SIX BARANGAYS

WHEREAS, In an en banc decision G.R. No. 87479, the Supreme Court sustained the posture of the Province of Albay and legally declared that the NAPOCOR is under obligation to pay the Province of Albay, the Municipality of Tiwi and Daraga the amount of P 214 Million representing Realty Taxes covering the period from the year 1984 to 1987 which decision had already been final and executory per entry of judgment dated June 4, 1990;

WHEREAS, NAPOCOR finally paid the Province of Albay the amount of P 17.7 Million as initial payment [d]ated July 29, 1992 that amount will inevitably increase the financial resources of the Local Government Units concerned;

WHEREAS, the Province of Albay headed by Governor Salalima and his men are still reconciling the P 214 Million with NAPOCOR which contravene the final decision of the Supreme Court and considered the P 17.7

Million as an Earnest money to the damage and prejudice of the Municipality of Tiwi and the Six Barangays, since that amount should be pro-rated accordingly as mandated by Law after deducting the legitimate expenses and attorneys fees;

WHEREAS, not (sic) of [the] P 17.7 Million already paid by NAPOCOR as per decision of the court nothing has yet been given by Governor Salalima to the Municipality of Tiwi as its share cost (sic) to be 45% of said amount nor the affected barangays of Tiwi has ever been given each corresponding shares despite representation made by the Municipal Mayor Naomi Corral, the Governor is hesitant and showing signs that the share of the Municipality will never be given;

WHEREAS, on motion of Kagawad Bennett Templado duly seconded by Joselito Cantes and Kagawad Francisco Alarte, be it

RESOLVED, as it is hereby resolved, To authorize the Mayor to hire the Services of a lawyer to represent the interest of the Municipality of Tiwi and its Barangays and for this purpose and authorization be given to the Municipal Mayor to hire a lawyer of her choice; Further divesting the lawyer hired by Governor Salalima and on (sic) the Province of Albay of its authority to represent the Municipality of Tiwi and the six Geothermal Barangays;

FINALLY RESOLVED, that copy of this resolution be furnished [the] Office of the Provincial Governor, Vice Governor, Office of the Sangguniang Panlalawigan, President Malixi of NAPOCOR for [their] information and guidance.

Approved unanimously.[20]

The above-quoted authority necessarily carried with it the power to negotiate, execute and sign on behalf of Tiwi the Contract of Legal Services. That the authorization did not set the terms and conditions of the compensation signifies that the council empowered Mayor Corral to reach a mutually agreeable arrangement with the lawyer of her choice subject, of course, to the general limitation that the contract's stipulations should not be contrary to law, morals, good customs, public order or public policy,[21] and, considering that this is a contract of legal services, to the added restriction that the agreed attorney's fees must not be unreasonable and unconscionable.[22] On its face, and there is no allegation to the contrary, this prior authorization appears to have been given by the council in good faith to the end of expeditiously safeguarding the rights of Tiwi. Under the particular circumstances of this case, there is, thus, nothing objectionable to this manner of prior authorization. In *Constantino v. Hon. Ombudsman, Desierto*, [23] we reached a similar conclusion:

More persuasive is the Mayor's second contention that no liability, whether criminal or administrative, may be imputed to him since he merely complied with the mandate of Resolution No. 21, series of 1996 and Resolution No. 38, series of 1996, of the Municipal Council; and that the charges leveled against him are politically motivated. A thorough examination of the records convinces this Court that the evidence against him is inadequate to warrant his dismissal from the service on the specified grounds of grave misconduct, conduct prejudicial to the best interest of the service and gross neglect of duty.

The explicit terms of Resolution No. 21, Series of 1996 clearly authorized Mayor Constantino to "lease/purchase one (1) fleet of heavy equipment" composed of seven (7) generally described units, through a "negotiated contract." That resolution, as observed at the outset, contained no parameters as to rate of rental, period of lease, purchase price. Pursuant thereto, Mayor Constantino, representing the Municipality of Malungon, and Norberto Lindong, representing the Norlovanian Corporation, executed two written instruments on the same date and occasion, viz.:

One -- an agreement (on a standard printed form) dated February 28, 1996 for the lease by the corporation to the municipality of heavy equipment of the number and description required by Resolution No. 21, and

Two -- an undertaking for the subsequent conveyance and transfer of ownership of the equipment to the municipality at the end of the term of the lease.

x x x x

In light of the foregoing facts, which appear to the Court to be quite apparent on the record, it is difficult to perceive how the Office of the Ombudsman could have arrived at a conclusion of any wrongdoing by the Mayor in relation to the transaction in question. It is difficult to see how the transaction between the Mayor and Norlovanian Corporation -- entered into pursuant to Resolution No. 21 -- and tacitly accepted and approved by the town Council through its Resolution No. 38 -- could be deemed an infringement of the same Resolution No. 21. In truth, an examination of the pertinent writings (the resolutions, the two (2) instruments constituting the negotiated contract, and the certificate of delivery) unavoidably confirms their integrity and congruity. It is, in fine, difficult to see how those pertinent written instruments," could establish a prima facie case to warrant the preventive suspension of Mayor Constantino. A person with the most elementary grasp of the English language would, from merely scanning those material documents, at once realize that the Mayor had done nothing but carry out the expressed wishes of the Sangguniang Bayan.

x x x x

[T]he Court is thus satisfied that it was in fact the Council's intention, which it expressed in clear language, to confer on the Mayor ample discretion to execute a "negotiated contract" with any interested party, without regard to any official acts of the Council prior to Resolution No. 21.[24]

Prescinding therefrom, petitioners' next contention that the subject contract should first be ratified in order to become enforceable as against Tiwi must necessarily fail. As correctly held by the CA, the law speaks of prior authorization and not ratification with respect to the power of the local chief executive to enter into a contract on behalf of the local government unit.[25] This authority, as discussed above, was granted by the Sangguniang Bayan to Mayor Corral as per Resolution No. 15-92.

The scope of the legal services
contemplated in Resolution No. 15-92
was limited to the execution of the
decision in National Power Corporation
v. Province of Albay.

For his part, respondent claims that the Contract of Legal Services should be construed to include such services even outside the scope of the execution of the ruling in National Power Corporation v. Province of Albay. Respondent relies on the broad wording of paragraph 4 of the subject contract to support this contention, viz:

4. That the legal services which the Party of the FIRST PART is obliged to render to the Party of the SECOND PART under this AGREEMENT consists of the following:

- a) To prepare and file cases in courts, Office of the President, Ombudsman, Sandiganbayan, Department of Interior and Local Government and Department of Finance or to represent the Party of the SECOND PART in cases before said bodies;
- b) To coordinate or assist the Commission on Audit, The National Bureau of Investigation or the Fiscals Office in the prosecution of cases for the Party of the SECOND PART;
- c) To follow-up all fees, taxes, penalties and other receivables from National Power Corporation (NPC) and Philippine Geothermal Inc. due to the Municipality of Tiwi;
- d) To provide/give legal advice to the Party of the SECOND PART in her administration of the Municipal

Government of Tiwi where such advice is necessary or proper; and

e) To provide other forms of legal assistance that may be necessary in the premises.[26]

The contention is erroneous. The wording of Resolution No. 15-92 is clear. Its title and whereas clauses, previously quoted above, indicate that the hiring of a lawyer was for the sole purpose of executing the judgment in *National Power Corporation v. Province of Albay*, that is, to allow Tiwi to recover its rightful share in the unpaid realty taxes of NPC. In his Complaint, respondent admits that he was furnished and read a copy of the said resolution before he entered into the subject contract. He cannot now feign ignorance of the limitations of the authority of Mayor Corral to enter into the subject contract and the purpose for which his services were employed.

We cannot accept respondent's strained reading of Resolution No. 15-92 in that the phrase "to represent the interest of the Municipality of Tiwi and its Barangays" is taken to mean such other matters not related to the execution of the decision in *National Power Corporation v. Province of Albay*. It could not have been the intention of the Sangguniang Bayan of Tiwi to authorize the hiring of a lawyer to perform general legal services because this duty devolves upon the municipal legal officer. The council sought the services of a lawyer because the dispute was between the municipality (Tiwi) and province (Albay) so much so that it fell under the exception provided in Section 481(b)(3)(i)[27] of the LGC

which permits a local government unit to employ the services of a special legal officer. Thus, the provisions of paragraph 4 of the Contract of Legal Services to the contrary notwithstanding, the basis of respondent's compensation should be limited to the services he rendered which reasonably contributed to the recovery of Tiwi's share in the subject realty taxes.

In sum, the allegations and admissions in the pleadings are sufficient to rule that Mayor Corral was duly authorized to enter into the Contract of Legal Services. However, the legal services contemplated therein, which are properly compensable, are limited to such services which reasonably contributed to the recovery of Tiwi's rightful share in the unpaid realty taxes of NPC. Paragraph 4 of the Contract of Legal Services, insofar as it covers legal services outside of this purpose, is therefore unenforceable.

While the foregoing issues may be settled through the admissions in the pleadings, the actual attorney's fees due to respondent cannot still be determined.

The issue of the reasonable legal fees due to respondent still needs to be resolved in a trial on the merits.

The subject contract stipulated that respondent's 10% fee shall be based on "whatever amount or payment collected from the National Power Corporation (NPC) as a result of the legal service rendered by [respondent]."[28] As will be discussed hereunder, the extent and significance of respondent's legal services that reasonably contributed to the recovery of Tiwi's share as well as the amount of realty taxes recovered by Tiwi arising from these alleged services requires a full-blown trial.

The main source of respondent's claim for attorney's fees lies with respect to several administrative and court cases that he allegedly prosecuted and defended on behalf of Tiwi against the elective officials of Albay in order to compel the latter to remit the rightful share of Tiwi in the unpaid realty taxes. In their Answer, petitioners denied knowledge of these cases on the pretext that they were filed during the prior term of Mayor Corral. However, we can take judicial notice of *Salalima v. Guingona, Jr.* where respondent appears as the counsel of record. In *Salalima v. Guingona, Jr.*, the Court found, among others, that the elective officials of Albay are administratively liable for (1) their unjustified refusal to release the share of Tiwi in the subject realty taxes, and

(2) initiating unfounded and harassment disciplinary actions against Mayor Corral as a retaliatory tactic. This case, at the minimum, is evidence of the efforts of respondent in recovering Tiwi's share. Nevertheless, the other cases allegedly handled by respondent cannot be deemed admitted for purposes of fixing respondent's compensation because petitioners controverted the same on several grounds, to wit: (1) these cases were not handled by respondent, (2) the OSG was the lead counsel in these cases, and (3) these cases were the personal cases of Mayor Corral and other officials of Tiwi which had no bearing in the eventual recovery of Tiwi's share in the subject realty taxes. With our previous finding that the subject contract only covers legal services which reasonably contributed to the recovery of Tiwi's share, these defenses properly tender issues which should be determined in a trial on the merits.

More important, in their Answer, petitioners raise the main defense that the subject realty taxes were recovered by virtue of the opinion rendered by then Chief Presidential Legal Counsel Antonio T. Carpio and not through the efforts of respondent. As narrated earlier, the said opinion was issued after then NPC President Malixi asked clarification from the Office of the President regarding the distribution of the unpaid realty taxes to Albay and its municipalities and barangays, including Tiwi. Significantly, respondent himself stated in his Complaint that "pursuant to the advice of Sec. Carpio, NPC started to remit their shares directly to Tiwi and its barangays in January 1993." [29] Our pronouncements in *Salalima v. Guingona, Jr.*, which respondent himself relies on in his pleadings, tell the same story, viz:

Fortunately, the Municipalities of Tiwi and Daraga and the National Government eventually received their respective shares, which were paid directly to them by the NPC pursuant to the directive of the Office of the President issued after the NPC requested clarification regarding the right of the municipalities concerned to share in the realty tax delinquencies. But this fact does not detract from the administrative liability of the petitioners. Notably, when the NPC advised the Province of Albay on 9 December 1992 that starting with the January 1993 installment it would pay directly to the Municipality of Tiwi by applying the sharing scheme provided by law, the petitioners passed on 19 December 1992 an ordinance declaring as forfeited in favor of the Province all the payments made by the NPC under the MOA and authorizing the sale of the NPC properties at public auction. This actuation of the petitioners reveals all the more their intention to deprive the municipalities concerned of their shares in the NPC payments. [30] (Emphasis supplied)

What appears then from the pleadings is that respondent, by his own admission, concedes the immense importance of the aforesaid opinion to the eventual recovery of the unpaid realty taxes. However, respondent never asserted the degree of his participation in the crafting or issuance of this opinion. It is evident, therefore, that the recovery of the realty taxes is not solely attributable to the efforts of respondent. This aspect of the case is decisive because it goes into the central issue of whether the 10% contingent fee is unreasonable and unconscionable. Consequently, it becomes necessary to weigh, based on the evidence that will be adduced during trial, the relative importance of the aforesaid opinion vis-à-vis the cases allegedly handled by respondent on behalf of Tiwi insofar as they aided in the eventual recovery of the unpaid realty taxes. And from here, the trial court may reasonably determine what weight or value to assign the legal services which were rendered by respondent.

Apart from this, there is another vital issue tendered by the pleadings regarding the extent of the benefits which Tiwi allegedly derived from the legal services rendered by respondent. In partially ruling that these amounts should be P110,985,181.83 and P35,594,480.00, respectively, the trial court explained in this wise:

The complaint alleged as to this:

"18. Based on the available records obtained by the plaintiff from the NPC, the Municipality of Tiwi received One Hundred Ten Million Nine Hundred Eighty Five Thousand One Hundred Eighty One & 83/100 (P110,985.83) [sic] plus Thirty Five Million Five Hundred Ninety Four Thousand Four Hundred Eighty

(P35,594,480.00) Pesos remittances from the said agency. The total receipts of taxes by Tiwi remitted by the NPC could be higher and this will be proven during the trial when all the records of remittances of taxes of the NPC-SLRC in Biñan, Laguna are subpoenaed, marked as ANNEXES-P; Q and R;"

In relation thereto, the answer stated:

"14. With respect to the allegation in paragraph 18 of the complaint answering defendant admits that the amount of P110,985.83 [sic] was remitted to Albay province so far as the annex is concerned but the same is immaterial, useless as there was no allegation that this was recovered/received by Tiwi. With respect to the amount of P35,594,480.00, the said amount was received as a matter of the clear provision of the law, specifically Sections 286-293 of the present Local Government Code and not through the effort of the plaintiff. Annex "R" is hearsay and self-serving."

While the plaintiff directly averred that "the Municipality of Tiwi received One Hundred Ten Million Nine Hundred Eighty Five Thousand One Hundred Eighty One & 83/100 (P110,985.83) [sic] plus Thirty Five Million Five Hundred Ninety Four Thousand Four Hundred Eighty (P35,594,480.00) Pesos remittances from the said agency," the defendant evasively stated that "the amount of P110,985.83 [sic] was remitted to Albay province" and that "the same is immaterial, useless as there was no allegation that this was recovered/received by Tiwi." Thereby, the answer was a negative pregnant because its denial was not specific. Hence, the defendants have admitted that Tiwi was paid the stated amounts.

The defendants further stated that Tiwi received the amount of P35,594,480.00 "as a matter of the clear provision of the law, [sic] and not through the effort of the plaintiff." However, considering that the legal services of the plaintiff were rendered under a written contract, the qualification as to the P35,594,480.00 was meaningless.

The pleadings render it indubitable, therefore, that the total amount of P146,579,661.84, which was received by Tiwi from NPC, is subject to the 10% attorney's fees under the plaintiff's contract of legal services.[31]

We disagree. Although concededly petitioners' counter-allegations in their Answer were not well-phrased, the overall tenor thereof plainly evinces the defense that the amount of P110,985,181.83 was received by Albay and not by Tiwi.[32] Consequently, the said amount cannot be deemed admitted for the purpose of fixing respondent's compensation. There is no occasion to apply the rule on negative pregnant because the denial of the receipt of the said amount by Tiwi is fairly evident. The dictates of simple justice and fairness precludes us from unduly prejudicing the rights of petitioners by the poor phraseology of their counsel. Verily, the Rules of Court were designed to ascertain the truth and not to deprive a party of his legitimate defenses. In fine, we cannot discern based merely on the pleadings that this line of defense employed by petitioners is patently sham especially since the documentary evidence showing the alleged schedule of payments made by NPC to Albay and its municipalities and barangays, including Tiwi, was not even authenticated by NPC.

We also disagree with the trial court's above-quoted finding that the qualification as to the amount of P35,594,480.00 which was received "as a matter of the clear provision of the law, [sic] and not through the effort of the plaintiff" is meaningless. The error appears to have been occasioned by the failure to quote the exact allegation in petitioners' Answer which reads "the said amount [P35,594,480.00] was received as a matter of the clear provision of the law, specifically Sections 286-293 of the present Local Government Code and not through the effort of the plaintiff." [33] The omitted portion is significant because Sections 286-293 of the LGC refer to the share of the local government unit in the utilization of the national wealth. Petitioners are, in effect, claiming that the P35,594,480.00 was received by Tiwi as its share in the utilization and development of the national wealth within its area and not as its share in the unpaid realty taxes of NPC subject of *National Power Corporation v. Province of Albay*. What's more, respondent's own documentary evidence, appended to his Complaint, confirms this posture because said document indicates that the P35,594,480.00 was derived from the "Computation of the

Share of Local Government from Proceeds Derived in the Utilization of National Wealth SOUTHERN LUZON For CY 1992 and First Quarter 1993." [34] It may be added that the unpaid realty taxes of NPC subject of National Power Corporation v. Province of Albay covered the period from June 11, 1984 to March 10, 1987 and not from 1992 to 1993. There is, thus, nothing from the above which would categorically establish that the amount of P35,594,480.00 was part of the realty taxes that NPC paid to Tiwi or that said amount was recovered from the legal services rendered by respondent on behalf of Tiwi.

Based on the preceding discussion, it was, thus, erroneous for the trial and appellate courts to peg the amount of realty taxes recovered for the benefit of Tiwi at P110,985,181.83 and P35,594,480.00 considering that petitioners have alleged defenses in their Answer and, more importantly, considering that said amounts have not been sufficiently established as reasonably flowing from the legal services rendered by respondent.

Conclusion

The foregoing considerations cannot be brushed aside for it would be iniquitous for Tiwi to compensate respondent for legal services which he did not render; or which has no reasonable connection to the recovery of Tiwi's share in the subject realty taxes; or whose weight or value has not been properly appraised in view of respondent's admission in his Complaint that the opinion issued by then Chief Presidential Legal Counsel Antonio T. Carpio (in which respondent had no clear participation) was instrumental to the recovery of the subject realty taxes. Hence, the necessity of a remand of this case to determine these issues of substance.

To recap, the following are deemed resolved based on the allegations and admissions in the pleadings: (1) then Mayor Corral was authorized to enter into the Contract of Legal Services, (2) the legal services contemplated in Resolution No. 15-92 was limited to such services which reasonably contributed to the recovery of Tiwi's rightful share in the unpaid realty taxes of NPC, and (3) paragraph 4 of the Contract of Legal Services, insofar as it covers services outside of this purpose, is unenforceable. Upon the other hand, the issue of the reasonable legal fees due to respondent still needs to be resolved in a trial on the merits with the following integral sub-issues: (1) the reasonableness of the 10% contingent fee given that the recovery of Tiwi's share was not solely attributable to the legal services rendered by respondent, (2) the nature, extent of legal work, and significance of the cases allegedly handled by respondent which reasonably contributed, directly or indirectly, to the recovery of Tiwi's share, and (3) the relative benefit derived by Tiwi from the services rendered by respondent. In addition, we should note here that the amount of reasonable attorney's fees finally determined by the trial court should be without legal interest in line with well-settled jurisprudence. [35]

As earlier noted, this case was filed with the trial court in 1999, however, we are constrained to remand this case for further proceedings because the subject partial judgment on the pleadings was clearly not proper under the premises. At any rate, we have narrowed down the triable issue to the determination of the exact extent of the reasonable attorney's fees due to respondent. The trial court is, thus, enjoined to resolve this case with deliberate dispatch in line with the parameters set in this Decision.

To end, justice and fairness require that the issue of the reasonable attorney's fees due to respondent be ventilated in a trial on the merits amidst the contentious assertions by both parties because in the end, neither party must be allowed to unjustly enrich himself at the expense of the other. More so here because contracts for attorney's services stand upon an entirely different footing from contracts for the payment of compensation for any other services. Verily, a lawyer's compensation for professional services rendered are subject to the supervision of the court, not just to guarantee that the fees he charges and receives remain reasonable and commensurate with the services rendered, but also to maintain the dignity and integrity of the legal profession to which he belongs. [36]

WHEREFORE, the petition is GRANTED. The October 19, 2005 Decision and March 10, 2006 Resolution of the

Court of Appeals in CA G.R. CV No. 79057 are REVERSED and SET ASIDE. This case is REMANDED to the trial court for further proceedings to determine the reasonable amount of attorney's fees which respondent is entitled to in accordance with the guidelines set in this Decision.

SO ORDERED.

Corona, (Chairperson), Brion,[*] Abad, [**] and Perez, JJ., concur.

[*] Per Special Order No. 856 dated July 1, 2010.

[**] Per Special Order No. 869 dated July 5, 2010.

[1] Rollo, pp. 44-52; penned by Associate Justice Rosmari D. Carandang and concurred in by Associate Justices Andres B. Reyes, Jr. and Monina Arevalo-Zenarosa.

[2] Id. at 152-160; penned by then Judge Lucas P. Bersamin, now a member of this Court.

[3] Id. at 53; penned by Associate Justice Rosmari D. Carandang and concurred in by Associate Justices Andres B. Reyes, Jr. and Monia Arevalo-Zanarosa.

[4] G.R. No. 87479, June 4, 1990, 186 SCRA 198.

[5] 326 Phil. 847 (1996).

[6] Now Senior Associate Justice of this Court.

[7] Records, p. 26.

[8] Id. at 1-10.

[9] Id. at 57-62.

[10] Id. at 168-172.

[11] Id. at 190.

[12] Rollo, p. 52.

[13] Id. at 18-19.

[14] Rodriguez v. Llorente, 49 Phil. 823, 824 (1926).

[15] RULES OF COURT, Rule 34, Section 1.

[16] Benavides v. Alabastro, 120 Phil. 1349, 1351-1352 (1964).

[17] SECTION 8. How to contest such documents. -- When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding section, the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts; but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused.

[18] Id.; Gaw v. Court of Appeals, G.R. No. 60783, October 31, 1990, 191 SCRA 77, 85.

[19] Rollo, pp. 30-32.

[20] Records, pp. 15-16.

[21] Civil Code, Article 1306.

[22] Rules of Court, Rule 138, Section 24.

[23] 351 Phil. 896 (1998).

[24] Id. at 909-913.

[25] Vergara v. Ombudsman, G.R. No. 174567, March 12, 2009, 580 SCRA 693, 714.

[26] Records, pp. 17-18.

[27] SECTION 481. Qualifications, Terms, Powers and Duties. -- x x x

(b) The legal officer, the chief legal counsel of the local government unit, shall take charge of the office of legal services and shall: x x x

(3) x x x x

(i) Represent the local government unit in all civil actions and special proceedings wherein the local government unit or any official thereof, in his official capacity, is a party: Provided, That, in actions or proceedings where a component city or municipality is a party adverse to the provincial government or to another component city or municipality, a special legal officer may be employed to represent the adverse party; (Emphasis supplied)

[28] Emphasis supplied.

[29] Records, p. 5.

[30] Salalima v. Guingona, Jr., supra note 5 at 917.

[31] Records, pp. 188-189.

[32] This is fairly deducible from paragraph 14 of petitioners' Answer (id. at 59) to the Complaint, viz:

14. With respect to the allegation in paragraph 18 of the complaint answering defendant admits that the amount of P110,985.83 [sic] was remitted to Albay Province so far as the annex is concerned but the same is immaterial, useless as there was no allegation that this was recovered/received by Tiwi. x x x Annex "R" is hearsay and self-serving. (Emphasis supplied)

[33] Id.

[34] Id. at 34.

[35] Cortes v. Court of Appeals, 443 Phil. 42, 54 (2003).

[36] Id. at 54-55.

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