

DO-ALL METALS INDUSTRIES, INC., SPS. DOMINGO LIM AND LELY KUNG LIM, PETITIONERS, VS. SECURITY BANK CORP., TITOLAIDO E. PAYONGAYONG, EYYLENE C. SISON, PHIL. INDUSTRIAL SECURITY A...

G.R. No. 176339. January 10, 2011

Ponente: ABAD, J.

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ABAD, J.:

This case is about the propriety of awarding damages based on claims embodied in the plaintiff's supplemental complaint filed without prior payment of the corresponding filing fees.

The Facts and the Case

From 1996 to 1997, Dragon Lady Industries, Inc., owned by petitioner spouses Domingo Lim and Lely Kung Lim (the Lims) took out loans from respondent Security Bank Corporation (the Bank) that totaled P92,454,776.45. Unable to pay the loans on time, the Lims assigned some of their real properties to the Bank to secure the same, including a building and the lot on which it stands (the property), located at M. de Leon St., Santolan, Pasig City.[1]

In 1998 the Bank offered to lease the property to the Lims through petitioner Do-All Metals Industries, Inc. (DMI) primarily for business although the Lims were to use part of the property as their residence. DMI and the Bank executed a two-year lease contract from October 1, 1998 to September 30, 2000 but the Bank retained the right to pre-terminate the lease. The contract also provided that, should the Bank decide to sell the property, DMI shall have the right of first refusal.

On December 3, 1999, before the lease was up, the Bank gave notice to DMI that it was pre-terminating the lease on December 31, 1999. Wanting to exercise its right of first refusal, DMI tried to negotiate with the Bank the terms of its purchase. DMI offered to pay the Bank P8 million for the property but the latter rejected the offer, suggesting P15 million instead. DMI made a second offer of P10 million but the Bank declined the same.

While the negotiations were on going, the Lims claimed that they continued to use the property in their business. But the Bank posted at the place private security guards from Philippine Industrial Security Agency (PISA). The Lims also claimed that on several occasions in 2000, the guards, on instructions of the Bank representatives Titolaido Payongayong and Eylene Sison, padlocked the entrances to the place and barred the Lims as well as DMI's employees from entering the property. One of the guards even pointed his gun at one employee and shots were fired. Because of this, DMI was unable to close several projects and contracts with prospective clients. Further, the Lims alleged that they were unable to retrieve assorted furniture, equipment, and personal items left at the property.

The Lims eventually filed a complaint with the Regional Trial Court (RTC) of Pasig City for damages with prayer for the issuance of a temporary restraining order (TRO) or preliminary injunction against the Bank and its

co-defendants Payongayong, Sison, PISA, and Gil Silos.[2] Answering the complaint, the Bank pointed out that the lease contract allowed it to sell the property at any time provided only that it gave DMI the right of first refusal. DMI had seven days from notice to exercise its option. On September 10, 1999 the Bank gave notice to DMI that it intended to sell the property to a third party. DMI asked for an extension of its option to buy and the Bank granted it. But the parties could not agree on a purchase price. The Bank required DMI to vacate and turnover the property but it failed to do so. As a result, the Bank's buyer backed-out of the sale. Despite what happened, the Bank and DMI continued negotiations for the purchase of the leased premises but they came to no agreement.

The Bank denied, on the other hand, that its guards harassed DMI and the Lims. To protect its property, the Bank began posting guards at the building even before it leased the same to DMI. Indeed, this arrangement benefited both parties. The Bank alleged that in October of 2000, when the parties could not come to an agreement regarding the purchase of the property, DMI vacated the same and peacefully turned over possession to the Bank.

The Bank offered no objection to the issuance of a TRO since it claimed that it never prevented DMI or its employees from entering or leaving the building. For this reason, the RTC directed the Bank to allow DMI and the Lims to enter the building and get the things they left there. The latter claimed, however, that on entering the building, they were unable to find the movable properties they left there. In a supplemental complaint, DMI and the Lims alleged that the Bank surreptitiously took such properties, resulting in additional actual damages to them of over P27 million.

The RTC set the pre-trial in the case for December 4, 2001. On that date, however, counsel for the Bank moved to reset the proceeding. The court denied the motion and allowed DMI and the Lims to present their evidence *ex parte*. The court eventually reconsidered its order but only after the plaintiffs had already presented their evidence and were about to rest their case. The RTC declined to recall the plaintiffs' witnesses for cross-examination but allowed the Bank to present its evidence.[3] This prompted the Bank to seek relief from the Court of Appeals (CA) and eventually from this Court but to no avail.[4]

During its turn at the trial, the Bank got to present only defendant Payongayong, a bank officer. For repeatedly canceling the hearings and incurring delays, the RTC declared the Bank to have forfeited its right to present additional evidence and deemed the case submitted for decision.

On September 30, 2004 the RTC rendered a decision in favor of DMI and the Lims. It ordered the Bank to pay the plaintiffs P27,974,564.00 as actual damages, P500,000.00 as moral damages, P500,000 as exemplary damages, and P100,000.00 as attorney's fees. But the court absolved defendants Payongayong, Sison, Silos and PISA of any liability.

The Bank moved for reconsideration of the decision, questioning among other things the RTC's authority to grant damages considering plaintiffs' failure to pay the filing fees on their supplemental complaint. The RTC denied the motion. On appeal to the CA, the latter found for the Bank, reversed the RTC decision, and dismissed the complaint as well as the counterclaims.[5] DMI and the Lims filed a motion for reconsideration but the CA denied the same, hence this petition.

The Issues Presented

The issues presented in this case are:

1. Whether or not the RTC acquired jurisdiction to hear and adjudicate plaintiff's supplemental complaint against the Bank considering their failure to pay the filing fees on the amounts of damages they claim in it;

2. Whether or not the Bank is liable for the intimidation and harassment committed against DMI and its representatives; and

3. Whether or not the Bank is liable to DMI and the Lims for the machineries, equipment, and other properties they allegedly lost after they were barred from the property.

The Court's Rulings

One. On the issue of jurisdiction, respondent Bank argues that plaintiffs' failure to pay the filing fees on their supplemental complaint is fatal to their action.

But what the plaintiffs failed to pay was merely the filing fees for their Supplemental Complaint. The RTC acquired jurisdiction over plaintiffs' action from the moment they filed their original complaint accompanied by the payment of the filing fees due on the same. The plaintiffs' non-payment of the additional filing fees due on their additional claims did not divest the RTC of the jurisdiction it already had over the case.[6]

Two. As to the claim that Bank's representatives and retained guards harassed and intimidated DMI's employees and the Lims, the RTC found ample proof of such wrongdoings and accordingly awarded damages to the plaintiffs. But the CA disagreed, discounting the testimony of the police officers regarding their investigations of the incidents since such officers were not present when they happened. The CA may be correct in a way but the plaintiffs presented eyewitnesses who testified out of personal knowledge. The police officers testified merely to point out that there had been trouble at the place and their investigations yielded their findings.

The Bank belittles the testimonies of the petitioners' witnesses for having been presented ex parte before the clerk of court. But the ex parte hearing, having been properly authorized, cannot be assailed as less credible. It was the Bank's fault that it was unable to attend the hearing. It cannot profit from its lack of diligence.

Domingo Lim and some employees of DMI testified regarding the Bank guards' unmitigated use of their superior strength and firepower. Their testimonies were never refuted. Police Inspector Priscillo dela Paz testified that he responded to several complaints regarding shooting incidents at the leased premises and on one occasion, he found Domingo Lim was locked in the building. When he asked why Lim had been locked in, a Bank representative told him that they had instructions to prevent anyone from taking any property out of the premises. It was only after Dela Paz talked to the Bank representative that they let Lim out.[7]

Payongayong, the Bank's sole witness, denied charges of harassment against the Bank's representatives and the guards. But his denial came merely from reports relayed to him. They were not based on personal knowledge.

While the lease may have already lapsed, the Bank had no business harassing and intimidating the Lims and their employees. The RTC was therefore correct in adjudging moral damages, exemplary damages, and attorney's fees against the Bank for the acts of their representatives and building guards.

Three. As to the damages that plaintiffs claim under their supplemental complaint, their stand is that the RTC committed no error in admitting the complaint even if they had not paid the filing fees due on it since such fees constituted a lien anyway on the judgment award. But this after-judgment lien, which implies that payment depends on a successful execution of the judgment, applies to cases where the filing fees were incorrectly assessed or paid or where the court has discretion to fix the amount of the award.[8] None of these circumstances obtain in this case.

Here, the supplemental complaint specified from the beginning the actual damages that the plaintiffs sought against the Bank. Still plaintiffs paid no filing fees on the same. And, while petitioners claim that they were willing to pay the additional fees, they gave no reason for their omission nor offered to pay the same. They merely

said that they did not yet pay the fees because the RTC had not assessed them for it. But a supplemental complaint is like any complaint and the rule is that the filing fees due on a complaint need to be paid upon its filing.[9] The rules do not require the court to make special assessments in cases of supplemental complaints.

To aggravate plaintiffs' omission, although the Bank brought up the question of their failure to pay additional filing fees in its motion for reconsideration, plaintiffs made no effort to make at least a late payment before the case could be submitted for decision, assuming of course that the prescription of their action had not then set in. Clearly, plaintiffs have no excuse for their continuous failure to pay the fees they owed the court. Consequently, the trial court should have treated their Supplemental Complaint as not filed.

Plaintiffs of course point out that the Bank itself raised the issue of non-payment of additional filing fees only after the RTC had rendered its decision in the case. The implication is that the Bank should be deemed to have waived its objection to such omission. But it is not for a party to the case or even for the trial court to waive the payment of the additional filing fees due on the supplemental complaint. Only the Supreme Court can grant exemptions to the payment of the fees due the courts and these exemptions are embodied in its rules.

Besides, as correctly pointed out by the CA, plaintiffs had the burden of proving that the movable properties in question had remained in the premises and that the bank was responsible for their loss. The only evidence offered to prove the loss was Domingo Lim's testimony and some undated and unsigned inventories. These were self-serving and uncorroborated.

WHEREFORE, the Court PARTIALLY GRANTS the petition and REINSTATES with modification the decision of the Regional Trial Court of Pasig City in Civil Case 68184. The Court DIRECTS respondent Security Bank Corporation to pay petitioners DMI and spouses Domingo and Lely Kung Lim damages in the following amounts: P500,000.00 as moral damages, P500,000.00 as exemplary damages, and P100,000.00 for attorney's fees. The Court DELETES the award of actual damages of P27,974,564.00.

SO ORDERED.

Carpio, (Chairperson), Nachura, Peralta, and Bersamin,[*] JJ., concur.

[*] Designated as additional member in lieu of Associate Justice Jose Catral Mendoza, per raffle dated January 10, 2011.

[1] Covered by Transfer Certificate of Title 79603.

[2] Docketed as Civil Case 68184.

[3] Order of the RTC dated May 10, 2002 and Resolution of the RTC dated August 5, 2002; records, Volume 1, pp. 317-318 and 340-341, respectively.

[4] The appeals were docketed as CA-G.R. SP 73520 and G.R. 161828, respectively.

[5] In the decision of the Court of Appeals dated October 10, 2006 in CA-G.R. CV 85667, penned by Associate Justice Normandie B. Pizarro and concurred in by Associate Justices Amelita G. Tolentino and Jose Catral Mendoza, now a member of this Court; CA rollo, pp. 151-168.

[6] See PNO Shipping and Transport Corporation v. Court of Appeals, 358 Phil. 38, 62 (1998).

[7] TSN, January 18, 2002, pp. 3-4.

[8] Rules of Court, Rule 141, Section 2 (Fees in Lien).

[9] Section 1 (Payment of Fees) in relation to Section 7 (Fees collectible by the Clerks of Regional Trial Courts for filing an action).

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