

CEFERINO DE LOS SANTOS, SR., ET AL., PLAINTIFFS AND APPELLANTS VS. SEBASTIAN C. PALANCA, DEFENDANT AND APPELLANT.*G.R. No. 17815. August 31, 1963*

Ponente: BAUTISTA ANGELO, J.

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Plaintiffs who are father and son brought this action before the Court of First Instance of Quezon City to collect certain sums of money as attorney's fees and damages. The complaint contains four causes of action. The first cause is for payment of the sum of P92,280.00 representing 10% of the money value of what defendant received from the estate of his late father and is based on the written contract for professional services entered into between plaintiffs and defendant on July 12, 1952. The second calls for payment of the sum of P10,000.00 as attorney's fees for services rendered in Civil Case No. 22031 of the Court of First Instance of Manila entitled, Sebastian C. Palanca vs. The Board of Directors of La Tondena, Inc. The third calls for payment of the sum of P40,000.00 as attorney's fees for services rendered in Civil Case No. 22354 entitled, "Sebastian C. Palanca on his behalf and on behalf of the Distillerias Ayala y Cia vs. La Tondena, Inc., et al.," also of the Court of First Instance of Manila, and the fourth calls for payment of P100,000.00 as moral, exemplary and corrective damages.

Defendant in his answer specifically denied all the allegations contained in each and every cause of action set forth in the complaint. With regard to the first cause of action, defendant said that plaintiffs had not rendered any professional service which had not been covered by the payment of P3,000.00 agreed upon in the written contract for professional fees which would justify recovery of any further amount. With regard to the second cause, defendant averred that plaintiffs have undertaken¹ to handle Civil Case No. 22031 referred to therein gratuitously and that if the sum of P10,000.00 was awarded as attorney's fees the award was in his favor and not in favor of plaintiffs. With regard to the third cause, defendant averred that plaintiffs are not entitled to any attorney's fees for the services they rendered in Civil Case No. 223-54 referred to in the complaint, said case having been dismissed due to the negligence of the plaintiffs in failing to appear on the date set for the hearing of the case. And with regard to the fourth cause of action, defendant averred that plaintiffs are not entitled to recover any amount as damages because if he received any share as inheritance in the estate of his deceased father it was not due to the effort of plaintiffs but to defendant's own effort and the help of his other lawyers who mediated to bring about an amicable settlement of the estate. Defendant set up several counterclaims covering big sums of money as moral damages.

After trial, wherein voluminous evidence was presented, the court a quo rendered decision dismissing the complaint with regard to the first, third and fourth causes of action, but awarded to plaintiffs the sum of P10,000.00 claimed in the second cause of action. Defendant's counterclaims were dismissed

Both parties appealed from the decision directly to this Court because the amounts involved exceed the sum of P200,000.00.

Plaintiffs who are father and son are both practising attorneys. Their services were engaged by defendant as his counsel in connection with the settlement of the estate of his late father Carlos Palanca then pending in the Court of First Instance of Manila (Special Proceedings No. 12126), and to formalize their relationship as attorney and client they entered into a written contract as follows:

"July 12, 1952

Mr. Sebastian Palanca
1360 Gral. Luna

My dear Mr. Palanca,

In reply to your query as to our professional fees for the services we have rendered and shall yet render for you in Special Proceedings No. 12126 entitled 'Testate Estate of Carlos Palanca Taguinlay' we have the following proposition:

- You shall pay us the sum of three thousand (P3,000.00) pesos upon our appearance in the above-entitled case as our retainer fee;
- You shall pay us the contingent sum of 10% of whatever amount of money or value of property which may be adjudicated to you in the case.
- We shall render free services to you in all other cases or incidents relating to the Testate proceedings wherein no material benefit redounds to your favor, i.e. claim for attorney's fees filed against you by Atty. R. Dinglasan.

If the above stated propositions are agreeable to you, kindly indicate your acceptance of the case below as indicated and this shall be our contract of legal services with you.

Very sincerely,

Ceferino de los Santos, Sr.
and
Ceferino de los Santos, Jr.

By (Sgd.) Ceferino de los Santos, Jr.

Conforme:

(Sgd.) Sebastian C. Palanca"

Pursuant to their agreement, plaintiffs rendered to defendant professional services for a period of approximately four years not only in the special proceedings above referred to but also in Civil Case No. 22031 of the Court of First Instance of Manila entitled, Sebastian Palanca, petitioner vs. The Board of Directors of the La Tondena, Inc., and in Civil Case No. 22354 of the same court entitled, Sebastian C. Palanca in his behalf and in behalf of the Distellerias Ayala y Cia. vs. La Tondena, Inc., et al.

Civil Case No. 22031 was filed to compel respondents therein to permit defendant to inspect the books of the corporation and to submit the required annual report to protect his interest which was decided in favor of defendant, the court having awarded to him moral damages in the amount of P15,000.00 and attorney's fees in the amount of P10,000.00. Respondent therein appealed the decision to the Court of Appeals, but the case was certified later to the Supreme Court (L-10860). While this case was pending appeal in the latter Court, which coincided with the pendency of the appeal taken by some interested parties in the testate proceedings of the late Carlos Palanca, defendant and the other heirs of the deceased concluded an amicable settlement as a result of which both cases and the appeal taken in the testate proceedings were dismissed. In connection with this amicable

settlement, however, defendant employed the services of other lawyers, apparently without the knowledge of plaintiffs, and with their help defendant entered into that settlement with his co-heirs wherein in consideration of certain portions of the estate as embodied in two documents, namely, a deed of assignment (Exhibit E) and a deed of conveyance (Exhibit D), defendant was adjudicated as his share in the inheritance properties worth P922,280.00.

Plaintiffs contend that the written contract entered into between them and defendant concerning their professional services is not one of contingent fee but rather a stipulation to pay contingent sum of W% of whatever amount of money or value of property which may be adjudicated to defendant in any case in which they may intervene in connection with the settlement of the estate, and so they contend that the court a quo erred in holding that their right to compensation is dependent upon the failure or success their intervention may have in the prosecution of the case insofar as the interest of defendant is concerned. And since the efforts made by plaintiffs in opposing the probate of the will of the deceased as well as in various incidents they have intervened in behalf of defendant had been unsuccessful, the court a quo denied their claim for professional fee in the form of 10% based on the value of the share adjudicated to the defendant.

The pertinent portion of the agreement on which plaintiffs predicate their claim reads: "You shall pay us the contingent sum of 10% of whatever amount of money or value of property which may be adjudicated to you in the case." This sentence appears indeed ambiguous for it may be interpreted as a commitment to pay merely a contingent fee in the legal sense of the word, and since the agreement was prepared by plaintiffs themselves which was only approved by defendant, following the rule on the matter the doubt should be resolved against the person who has caused the obscurity (Article 1377, new Civil Code.) It has also been held that in construing contracts between attorney and client concerning compensation which are ambiguous in character, the general rule is to adopt such construction as would be more favorable to the client even if it would redound to the prejudice of the attorney.[1]

But even if the contract be considered as one concerning a contingent fee, plaintiffs contend that under the circumstances obtaining in this case they are still entitled to collect 10% of the amount received by defendant as his share in excess of that of the heirs of his own category as compensation for their services. The question that now arises is: Have plaintiffs succeeded in their efforts to defend the rights of their client, herein defendant, in the various incidents in which they intervened in connection with the settlement of the estate of his late father?

An examination of the record will show that while plaintiffs were not entirely successful in opposing the probate of the will of the deceased or in securing the payment in advance of a portion of his inheritance from the estate, or in prosecuting successfully the various incidents that had arisen involving the estate taken singly or individually, we may attribute some merit or value to the professional services rendered by plaintiffs if their efforts were to be measured as a whole. If they had failed in securing their object in connection with particular incident or proceeding it does not mean that their services have been entirely unmeritorious or of no value especially if we consider their impact on the overall result. This is what happened in the case before us. While in one case plaintiff's efforts apparently failed because it was dismissed for their failure to appear on the date set for hearing because of some circumstance that was later explained, it does not mean that the services they had rendered were of no value or should be totally disregarded for in fact they represented much effort and have contributed to the ultimate success of defendant's case (Civil Case No. 22354).

The same thing may be said with regard to Civil Case No. 22031 wherein a favorable judgment was secured by plaintiffs in favor of defendant although the case was appealed and later on dismissed thru no fault of their own. In this connection, it may be stated that, without their knowledge, defendant employed the services of other lawyers who got in touch with the counsel of the adverse parties or co-heirs and thru their joint effort concluded

an amicable settlement of the estate thereby redounding to the benefit of defendant. In this settlement defendant was adjudicated a share in the inheritance worth P922,280.00. The fact that the settlement was concluded without the direct intervention of plaintiffs does not negate their right to compensation because the settlement was arrived at after taking into account the status of the two cases that resulted thru the efforts of the plaintiffs. The work done by the plaintiffs could not be ignored. It is reflected in all the pleadings and evidence they had presented which have contributed in no small measure to the execution of the deed of conveyance embodied in the agreement. The failure of plaintiffs to intervene was not of their own making. To their great surprise they were relieved without their knowledge and consent. The services they had rendered are certainly entitled to compensation and the amount of P3,000.00 was not sufficient.

In this connection, we note that the agreement calls for payment of 10% of whatever amount of money or value of property that may be adjudicated, but plaintiffs are satisfied that their fee be based on any amount that defendant may have received as his share in excess of that of the heirs of his own category. This claim is understandable considering perhaps that they did not have a hand in the conclusion of the amicable settlement. To this we may add the fact that since all of plaintiffs' efforts in behalf of defendant have not been successful, it is not proper nor fair that they be awarded a compensation on the basis of 10% as agreed upon, it being sufficient in our opinion that they be given one-half thereof, or 5%. Here we find that one of the heirs, Marciana Palanca de Santos, who has the same category as defendant, received as her share in the inheritance properties worth P514,000.00. Inasmuch as defendant received a share worth P922,280.00, he therefore received P498,280.00 more than said co-heir, which is, as he claims, "in excess of that of his heirs of the same category." Five percent (5%) of P498,280.00 is P24,914.00. This is the amount to which plaintiffs are entitled as their contingent fee.

The other question raised by plaintiffs refers to the denial by the court a quo of their claim for attorney's fees contained in their third cause of action. This claim is for attorney's fees based on quantum, meruit in the sum of P40,000.00 for professional services rendered to the defendant in Civil Case No. 22354. This case was dismissed for failure of the plaintiffs to appear at the time set for hearing. It is true that they made an effort to have the case reopened alleging excusable negligence, but their effort failed. Even if it be admitted that their failure to appear was due to excusable negligence, yet it was still due to their failure to appear that the case was dismissed. Consequently, the court a quo was correct in denying their claim in this respect.

Under the circumstances obtaining in this case, we also find no merit in plaintiffs claim as regards the moral damages they seek. The record does not disclose any justifiable reason that may entitle plaintiffs to moral damages based merely on defendant's failure to pay attorney's fees for services rendered under Article 2217 of the new Civil Code.

Let us now consider the appeal taken by defendant. He claims that the court a quo erred in awarding to plaintiffs the sum of P10,000.00 that was awarded to him as attorney's fees in Civil Case No. 22031 of the Court of First Instance of Manila. This case was brought by plaintiffs in behalf of defendant to compel the Board of Directors of La Tondena, Inc. to allow defendant to examine the books of the corporation and to render to him the pertinent annual report and wherein the corporation was ordered to pay the defendant the sum of P15,000.00 as moral damages and the sum of P10,000.00 as attorney's fees. This case was appealed to the Supreme Court but it was dismissed later in view of the amicable settlement concluded by the parties. Defendant claims that since in that case the sum of P10,000.00 was awarded to him it is improper that he be now ordered to pay the same to plaintiffs especially considering that the case was dismissed on appeal. And even if the appeal were prosecuted to its final termination it is still doubtful if the judgment of the court a quo would be affirmed.

There is merit in this claim. This incident comes under the following clause of the written contract entered into between the parties: "We shall render free services to you in all other cases or incidents relating to the Testate

proceedings wherein no material benefit redounds to your favor, i.e. claim for attorney's fees filed against you by Atty. R. Dinglasan." Since the instant claim refers to a case or incident related to the testate proceedings apart from the fact that it was not prosecuted to its final conclusion, under the aforesaid clause the professional services of the plaintiffs should be deemed to have been rendered freely or gratuitously.

Finally, we find no merit in the claim for moral damages filed by defendant there being no basis for concluding that plaintiffs filed their action with malice or in bad faith. The action was filed evidently in the honest belief that they are entitled to attorney's fees because of the services they had rendered to defendant.

Wherefore, the decision appealed from is modified in the sense that that portion which orders defendant to pay plaintiffs the sum of P10,000.00 at attorney's fees is reversed. Defendant is hereby ordered to pay plaintiffs the sum of P24,914.00 as attorney's fees under their first cause of action. No special pronouncement as to costs.

Bengzon, C. J. Padilla, Labrador, Concepcion Reyes, J. B. L., Barrera, Paredes, Dizon, Regala, and Makalintal, JJ., concur.

[1] *Wough vs. Q. & C. Co.*, (C.A. III) 16 F (2d) 363; *Hollirsworth vs. Lewis*, 269 P. 709, 93 Cal App. 526.

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