

HEIRS OF RENATO P. DRAGON, REPRESENTED BY PATRICIA ANGELI D. NUBLA, PETITIONERS, VS. THE MANILA BANKING CORPORATION, RESPONDENT.

G.R. No. 205068. March 06, 2019

Ponente: LEONEN, J.

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LEONEN, J.:

Payment of the correct amount of filing fees should not be made contingent on the result of a case.

This is a Petition for Review on Certiorari[1] assailing the June 27, 2012 Decision[2] and December 5, 2012 Resolution[3] of the Court of Appeals in CA-G.R. CV No. 92266. The Court of Appeals upheld the September 26, 2007 Decision[4] of the Regional Trial Court, which ordered Renato P. Dragon (Dragon) to pay The Manila Banking Corporation (Manila Banking) P6,945,642.00, plus interest and penalties, as well as attorney's fees. The amount corresponded to several loans Dragon obtained from Manila Banking from 1976 to 1983.

From 1976 to 1982, Dragon obtained several loans from Manila Banking, which were evidenced by four (4) Promissory Notes: (1) Promissory Note No. 20669 dated March 30, 1976;[5] (2) Promissory Note No. 20670 dated March 30, 1976;[6] (3) Promissory Note No. 7426 dated June 28, 1979;[7] and (4) Promissory Note No. 10973 dated February 26, 1982.[8] The total principal amount of his loans was P6,945,642.00.[9] Each Promissory Note stipulated a rate of interest, penalty interest in case of default, and attorney's fees, and due dates from 1976 to 1983.

In 1987, Manila Banking was placed under receivership by the Bangko Sentral ng Pilipinas. The bank's receiver sent Dragon several demand letters[10] requiring him to pay his outstanding loans, the final letter being dated August 12, 1998.[11] In a Statement of Account attached to the final letter, Manila Banking computed the amount Dragon owed as P44,038,995.00, consisting of the principal amount of P6,945,642.00, plus accrued interest, penalties, and attorney's fees as of July 31, 1998.[12]

Dragon failed to pay his outstanding obligation. Thus, on January 7, 1999, Manila Banking filed before the Regional Trial Court a Complaint for collection of sum of money.[13] The prayer of the Complaint read:

WHEREFORE, premises considered, it is most respectfully prayed that, after hearing, judgment be rendered ordering the defendant to pay plaintiff the above principal sum of P6,945,642, plus interests, penalties, and attorney's fees computed up to the date of actual payment pursuant to the corresponding Promissory Notes. Plaintiff further prays for such other reliefs and remedies as may be deemed just and equitable in the premises.[14]

In his Answer with Compulsory Counterclaim,[15] Dragon claimed that he had already partially paid his debts to Manila Banking,[16] and that his loans with the bank had been extinguished by novation. Allegedly, in 1984, Kalilid Wood Industries Corporation (Kalilid Wood), of which he was an officer and stockholder, wrote to Manila Banking requesting that Kalilid Wood's loans and the accounts of other persons, including that of Dragon's, be

restructured. Manila Banking allegedly agreed to the restructuring, allowing Kalilid Wood to assume Dragon's loan obligations, including those covered by the four (4) Promissory Notes. Supposedly, this novation was confirmed in an April 22, 1991 Decision of the Regional Trial Court, Branch 58 of Makati City in Civil Case No. 46961 titled, "The Manila Banking Corporation v. Builders Wood Products, Inc., Claudio J. Sanchez, Horacio Abrantes, and Renato P. Dragon" which had become final and executory.[17]

Dragon further claimed that Manila Banking's cause of action had prescribed, since it failed to demand payment on the Promissory Notes within 10 years from their due date. He alleged that he never received the demand letters sent by Manila Banking, which would have otherwise interrupted the prescriptive period.[18]

He prayed that he be awarded P2,000,000.00 as moral damages for Manila Banking's act of dispossessing him of his properties for the settlement of accounts that could not be established, which allegedly caused him emotional trauma.[19]

On September 26, 2007, the Regional Trial Court issued its Decision[20] in favor of Manila Banking. The dispositive portion of the Decision read:

WHEREFORE, plaintiff having proved its claim by preponderance of evidence against defendant Renato P. Dragon, judgment is hereby rendered ordering defendant to pay plaintiff the following:

- The amount of Php6,945,642.00 plus interest and penalties, the rates of which are indicated in the [preceding] paragraphs starting August 12, 1998 until the obligation is fully paid;
- Attorney's fees equivalent to 5% of the total amount due;
- Costs of suit.

SO ORDERED.[21]

The Regional Trial Court noted that Dragon's defenses of prescription and novation were neither pleaded in his Answer nor raised in a motion to dismiss.[22] Even if it could have taken cognizance of these defenses, the Regional Trial Court found that Manila Banking's cause of action had not prescribed and that the obligations were not novated. It held that Manila Banking's cause of action began to accrue only on August 12, 1998, when Dragon refused to pay, and not on the maturity dates stated in the promissory notes.[23]

Further, the Regional Trial Court found that Dragon could not prove that the obligations had been novated. It ruled that the April 22, 1991 Decision of the Regional Trial Court in Civil Case No. 46961 could not be proof of the alleged novation since the facts and subject matter of that case were different from this case.[24]

Nonetheless, the Regional Trial Court held that it could only order Dragon to pay the amount of P6,945,642.00, representing his principal obligation, plus the interest and penalty charges, as stipulated in the Promissory Notes, and not P48,028,268.98, per the Statement of Account submitted by Manila Banking. During trial, Manila Banking failed to submit documents to justify or support the computation in the Statement of Account.[25]

Both parties filed Motions for Reconsideration of the Regional Trial Court September 26, 2007 Decision.[26] Notably, in his Reply and Supplemental Opposition to Manila Banking's Motion for Partial Reconsideration,[27] Dragon raised for the first time the issue of the trial court's lack of jurisdiction over the Complaint. He alleged that Manila Banking willfully and deliberately evaded payment of the correct docket fees for the amounts it claimed.[28]

In its April 3, 2008 Order,[29] the Regional Trial Court denied both parties' Motions. As to the issue of docket fees, it held that this Court's ruling in *Sun Insurance Office, Ltd. v. Asuncion*[30] applied; hence, there was no

need to resolve it.[31]

Upon appeal by both parties, the Court of Appeals, in its June 27, 2012 Decision,[32] affirmed the Regional Trial Court September 26, 2007 Decision and April 3, 2008 Order.

As to Manila Banking, the Court of Appeals affirmed the trial court's finding that since the Statement of Account was not substantiated, the amount to be considered should only be P6,945.642.00, plus the stipulated interest and penalty charges.[33]

As to Dragon, the Court of Appeals held that he proved neither novation nor prescription. By failing to raise these defenses in his Answer and before the termination of pre-trial, Dragon waived them in accordance with Rule 9, Section 1 of the Rules of Court.[34]

Moreover, the Court of Appeals found that the correspondence between Manila Banking and Kalilid Wood could not serve as basis for Dragon's claim of novation. Manila Banking's reply to Kalilid Wood's request to restructure the loans did not expressly state that Dragon had been released from his obligations under the Promissory Notes, or that there was an agreement that Kalilid Wood would assume Dragon's obligations under the Promissory Notes. Since novation is never presumed, but must be shown through an express agreement or by the parties' intent, the Court of Appeals held that Dragon failed to prove that novation had extinguished his obligations to Manila Banking.[35]

Similarly, the Court of Appeals ruled that the April 22, 1991 Decision of the Regional Trial Court in Civil Case No. 46961 could not serve as the "law of the case"[36] for this case. That Decision, it held, never mentioned or alluded to the Promissory Notes for which Manila Banking was now demanding payment. The transaction in that case involved a different transaction that Kalilid Wood and Dragon had entered into.[37]

Dragon's defense of prescription was, likewise, not given credence by the Court of Appeals. It found that the 10-year prescriptive period on the enforcement of the Promissory Notes, which matured from 1982 to 1983, was interrupted by Manila Banking's demand letters to Dragon in November 1988, October 1991, February 1993, November 1994, January 1996, and August 1998. It did not give credence to Dragon's claim that he never received the demand letters, as he admitted in his Answer that they had been sent to him. Dragon also failed to specifically deny Manila Banking's allegation that he received the demand letters.[38]

In its December 5, 2012 Resolution,[39] the Court of Appeals denied both parties' Motions for Reconsideration. In addition to its earlier ruling, the Court of Appeals found that the deficient payment of docket fees did not automatically result in the case's dismissal as the trial court may still allow payment of the difference within a reasonable period, but before the expiry of the reglementary period. The deficiency could also be a lien on the judgment award. It ruled that the claimed interests, penalties, and attorney's fees could not be determined with certainty until the resolution of the case.[40]

On January 22, 2013, the Heirs of Dragon, represented by Patricia Angeli D. Nubia (Heirs of Dragon), filed before this Court a Notice of Death with Motion for Substitution of Petitioner and a Motion for Extension of Time to File Petition for Review under Rule 45.[41] The Heirs of Dragon stated that Dragon died on October 22, 2012 and under Rule 3, Section 16 of the Rules of Court, his counsel informed this Court of this fact and moved for the substitution of parties. They further prayed for an additional 30 days within which to file their Petition for Review.

In its February 18, 2013 Resolution,[42] this Court granted the Motion for Substitution and Motion for Extension of Time.

On February 21, 2013, the Heirs of Dragon filed their Petition for Review on Certiorari,[43] assailing the June 27, 2012 Decision and December 5, 2012 Resolution of the Court of Appeals.

Petitioners argue that the Regional Trial Court had no jurisdiction to award Manila Banking's claims due to insufficient payment of docket fees. Manila Banking only paid P34,975.75 corresponding to its P6,945,642.00 claim in its Complaint. However, as shown by the Statement of Account attached to the Complaint, the true amount it claimed was P44,038,995.00. Petitioners claim that Manila Banking concealed the true amount it claimed to mislead the trial court's clerk of court and, thus, avoid paying the correct docket fees.[44]

For petitioners, Sun Insurance Office is inapplicable to this case. In Sun Insurance Office, the amount of damages could be inferred from the body of the complaint, and the plaintiff indicated willingness to abide by the rules by paying the additional fees when he amended his complaint, even without an order from the court. Here, Manila Banking knew the exact amount that it wanted to collect by way of interest, penalties, and attorney's fees; yet, it did not state these in its Complaint's prayer.[45]

They argue that the applicable case is Tacay v. Regional Trial Court of Tagum, Davao del Norte,[46] where this Court held that the phrase "awards of claims not specified in the pleading" should only refer to "damages arising after the filing of the complaint or similar pleading." [47]

Further, petitioners claim that the April 22, 1991 Decision of the Regional Trial Court in Civil Case No. 46961 settled the novation of Dragon's obligations to Manila Banking. They point out that in the proceedings in Civil Case No. 46961, Dragon presented two (2) letters, dated November 14, 1984 and September 19, 1984, which the trial court found to be proof that Builders Wood Products, Inc. and Dragon as guarantor were replaced by Kalilid Wood, the new debtor. Here, Dragon again offered these letters before the Regional Trial Court to prove that there was a consolidation of his loan accounts to Kalilid Wood's loan accounts.[48]

Petitioners argue that the Court of Appeals was incorrect in finding that the April 22, 1991 Decision of the Regional Trial Court in Civil Case No. 46961 did not cover the Promissory Notes. They claim that the Promissory Notes were part of the obligations that Kalilid Wood assumed when it proposed the loan restructuring in 1984 even though they were not specifically stated in Civil Case No. 46961. For them, since the Promissory Notes all bore dates prior to 1984, they were necessarily included in the loan restructuring.[49]

Finally, petitioners argue that Manila Banking's cause of action had prescribed, claiming that Dragon never admitted to receiving the demand letters allegedly sent by Manila Banking, which would have interrupted the prescriptive period.[50]

On April 3, 2013, this Court ordered Manila Banking to comment on the Petition.[51]

In its Comment filed on June 10, 2013,[52] respondent claims that the Petition raises issues which constitute questions of fact, namely: (1) whether respondent paid the correct docket fees; (2) whether novation took place; and (3) whether its cause of action had prescribed. These issues, it avers, are improper in a Rule 45 petition, which only involves questions of law. Moreover, petitioners failed to prove that any of the exceptions, which would allow this Court to resolve a question of fact, exist.[53]

Respondent points out that the issues raised in the Petition were never raised during pre-trial in the Regional Trial Court. For being belatedly raised, these defenses should be waived. In particular, petitioners were estopped from questioning the non-payment of correct docket fees since they only raised this issue after the Regional Trial Court rendered its September 26, 2007 Decision against Dragon.[54]

Respondent further claims that it paid the correct amount of docket fees for the Complaint based on the principal

amount of P6,945,642.00. It argues that it was impossible to compute the interests, penalties, and attorney's fees it should claim because the date of actual payment by Dragon was uncertain at the time of the filing of the Complaint. However, even if the trial court rendered a judgment award more than the P6,945,642.00 it claimed, respondent argues that Sun Insurance Office should apply, and the additional docket fees shall be a lien on the judgment.[55]

Respondent further argues that: (1) the April 22, 1991 Decision of the Regional Trial Court in Civil Case No. 46961 was not the law of the case; (2) petitioners failed to prove novation; and (3) Dragon had failed to specifically deny receipt of Manila Banking's demand letters.[56]

On July 31, 2013,[57] this Court required petitioners to file their reply to respondent's Comment.

In their Reply filed on October 29, 2013,[58] petitioners argue that their Petition raises questions of law cognizable by this Court, namely: (1) whether the Regional Trial Court had jurisdiction over Manila Banking's claims for interests, penalties, and attorney's fees despite its failure to pay the correct docket fees; (2) whether the April 22, 1991 Decision served as *res judicata* for this case; and (3) whether the prescriptive period began to run only upon alleged service of the demand letter, or upon maturity of the Promissory Notes.[59]

In its March 3, 2014 Resolution,[60] this Court gave due course to the Petition and required the parties to submit their Memoranda. Respondent and petitioners filed their Memoranda on May 8, 2014[61] and May 12, 2014,[62] respectively.

The issues to be resolved are:

First, whether or not the Petition for Review on Certiorari raises questions of fact not cognizable under Rule 45 of the Rules of Court; and

Second, whether or not the trial court acquired jurisdiction over the Complaint of respondent The Manila Banking Corporation in view of the insufficient payment of docket fees.

I

The existence of novation and prescription of an action is a question of fact not cognizable under a petition for review on certiorari under Rule 45 of the Rules of Court.

To determine if there was novation, the facts on record must be examined to show if the elements are present.[63] Here, the Regional Trial Court and the Court of Appeals did not err in finding that there was no novation of the Promissory Notes.

Petitioners claim that Kalilid Wood had agreed to assume Dragon's personal loans to respondent, including those arising from the Promissory Notes, an agreement given judicial recognition in the April 22, 1991 Decision of the Regional Trial Court, Branch 58 of Makati City in Civil Case No. 46961.[64]

Based on the April 22, 1991 Decision of the Regional Trial Court in Civil Case No. 46961, Builders Wood Products, Inc. obtained a loan from respondent, with Dragon as surety, in 1980.[65] When Builders Wood Products, Inc. defaulted, respondent filed an action for sum of money against it and its sureties.[66] In 1983, while the action was pending, Builders Wood Products, Inc. ceded its timber concession to Kalilid Wood, of which Dragon was an officer. Thus, Kalilid Wood assumed all the existing obligations of Builders Wood Products, Inc. and, later on, the obligations of Dragon as part of its repayment schedule.[67]

The Court of Appeals is correct that the April 22, 1991 Decision does not mention the Promissory Notes included in the loans Kalilid Wood had assumed from Dragon. What Kalilid Wood had assumed were Dragon's obligations

as surety for Builders Wood Products, Inc. It did not include his personal loans to respondent.[68]

Further, it is telling that petitioners cannot substantiate their claim that the Promissory Notes are included in the April 22, 1991 Decision.

The April 22, 1991 Decision declares that "the proposed repayment plan by [Kalilid Wood] regarding the various accounts mentioned in the letter (Exh. 1-Dragon) and the letter dated September 19, 1984 (Exhs. 2-Dragon, 2-A-Dragon), including that of Builders and Dragon were accepted by plaintiff Manila Banking Corporation." [69] Yet, petitioners were unable to prove or even claim that the Promissory Notes were included in these "various accounts." These exhibits should have been easy to present, as they should be extant judicial records, but they have not been presented by petitioners.

Novation must be clear and unequivocal, and is never presumed.[70] It is the burden of the party asserting that novation has taken place to prove that all the elements exist.

Likewise, the question of prescription of an action is a factual matter.[71] The Court of Appeals did not err when it held:

In addition, it cannot be said that appellant-bank's cause of action based on such promissory notes had prescribed. Actions based upon a written contract should be brought within ten (10) years from the time the right of action accrues. Indubitably, such right of action accrue from the moment the breach of right or duty occurs. Prescription of actions is, nevertheless, interrupted when they are filed before the courts, when there is a written extrajudicial demand by the creditors, and when there is any written acknowledgement of the debt by the debtor. In the present case, the ten-year (10) prescriptive period on the enforcement of said promissory notes that matured in 1982 - 1983, was timely interrupted by appellant-bank's demand letters to defendant-appellant in November 1988, October 1991, February 1993, November 1994, January 1996 and August 1998. Verily, every time the defendant-appellant receives said demand letters, a new ten-year (10) period is added, and the elapsed period is, thereby, eliminated. Indeed, a written extrajudicial demand wipes out the period which has already elapsed, and it starts anew the prescriptive period.[72] (Citations omitted)

II

The general rule is that the issue of jurisdiction may be raised at any stage of the proceedings, even on appeal, and is not lost by waiver or by estoppel.[73] A party is only estopped from raising the issue when it does so "in an unjustly belated manner especially when it actively participated during trial." [74] In *Villagracia v. Fifth Shari'a District Court*: [75]

In [*Tijam v. Sibonghanoy*], it took Manila Surety and Fidelity Co., Inc. 15 years before assailing the jurisdiction of the Court of First Instance. As early as 1948, the surety company became a party to the case when it issued the counter-bond to the writ of attachment. During trial, it invoked the jurisdiction of the Court of First Instance by seeking several affirmative reliefs, including a motion to quash the writ of execution. The surety company only assailed the jurisdiction of the Court of First Instance in 1963 when the Court of Appeals affirmed the lower court's decision. This court said:

. . . Were we to sanction such conduct on [Manila Surety and Fidelity, Co. Inc.'s] part, We would in effect be declaring as useless all the proceedings had in the present case since it was commenced on July 19, 1948 and compel [the spouses Tijam] to go up their Calvary once more. The inequity and unfairness of this is not only patent but revolting.

After this court had rendered the decision in *Tijam*, this court observed that the "non-waivability of objection to jurisdiction" has been ignored, and the *Tijam* doctrine has become more the general rule than the exception. In *Calimlim v. Ramirez*, this court said:

A rule that had been settled by unquestioned acceptance and upheld in decisions so numerous to cite is that the jurisdiction of a court over the subject-matter of the action is a matter of law and may not be conferred by consent or agreement of the parties. The lack of jurisdiction of a court may be raised at any stage of the proceedings, even on appeal. This doctrine has been qualified by recent pronouncements which stemmed principally from the ruling in the cited case of [Tijam v. Sibonghanoy]. It is to be regretted, however, that the holding in said case had been applied to situations which were obviously not contemplated therein. . . .

Thus, the court reiterated the "unquestionably accepted" rule that objections to a court's jurisdiction over the subject matter may be raised at any stage of the proceedings, even on appeal. This is because jurisdiction over the subject matter is a "matter of law" and "may not be conferred by consent or agreement of the parties."

In *Figueroa*, this court ruled that the Tijam doctrine "must be applied with great care;" otherwise, the doctrine "may be a most effective weapon for the accomplishment of injustice":

. . . estoppel, being in the nature of a forfeiture, is not favored by law. It is to be applied rarely — only from necessity, and only in extraordinary circumstances. The doctrine must be applied with great care and the equity must be strong in its favor. When misapplied, the doctrine of estoppel may be a most effective weapon for the accomplishment of injustice. ... a judgment rendered without jurisdiction over the subject matter is void. ... No laches will even attach when the judgment is null and void for want of jurisdiction[.][76] (Citations omitted)

In this regard, this Court has consistently held that a party may be estopped from questioning the lack of jurisdiction due to insufficient payment of filing or docket fees, if the objection is not timely raised.[77]

The records show that Dragon raised the defense of prematurity, and no other, in his Answer with Compulsory Counterclaim dated January 31, 2000.[78] Dragon later actively participated in the proceedings of the case, including trial on the merits. Respondent's insufficient payment of docket fees was raised for the first time before the trial court in Dragon's Reply (To: Plaintiffs Opposition to Defendant's Motion for Reconsideration) and Supplemental Opposition (To: Plaintiffs Motion for Partial Reconsideration),[79] filed on February 26, 2008, following the September 26, 2007 Decision. The jurisdictional objection had been available to petitioners long before then, but they failed to timely raise it.

Nonetheless, the circumstances of this case warrant an examination of the rules and principles on payment of docket fees.

Under Rule 141, Section 1 of the Rules of Court, filing fees must be paid in full at the time an initiatory pleading or application is filed.[80] Payment is indispensable for jurisdiction to vest in a court.[81]

The amount must be paid in full. Nonetheless, in *Magaspi v. Ramolete*[82] despite insufficient payment of filing fees, a complaint for recovery of ownership and possession was deemed docketed as there had been an "honest difference of opinion as to the correct amount to be paid[.]"[83] However, this Court declined to apply *Magaspi* in *Manchester Development Corporation v. Court of Appeals*. [84] There, the counsel deliberately did not specify the amount of damages in the complaint's prayer even though at least P78 million was alleged in the body. It later even amended the same complaint to remove all mentions of damages in the body. Thus:

The Court cannot close this case without making the observation that it frowns at the practice of counsel who filed the original complaint in this case of omitting any specification of the amount of damages in the prayer although the amount of over P78 million is alleged in the body of the complaint. This is clearly intended for no other purpose than to evade the payment of the correct filing fees if not to mislead the docket clerk in the assessment of the filing fee. This fraudulent practice was compounded when, even as this Court had taken cognizance of the anomaly and ordered an investigation, petitioner through another counsel filed an amended complaint, deleting all mention of the amount of damages being asked for in the body of the complaint. It was only when in obedience to the order of this Court of October 18, 1985, the trial court directed that the amount

of damages be specified in the amended complaint, that petitioners' counsel wrote the damages sought in the much reduced amount of P10,000,000.00 in the body of the complaint but not in the prayer thereof. The design to avoid payment of the required docket fee is obvious.

The Court serves warning that it will take drastic action upon a repetition of this unethical practice.

To put a stop to this irregularity, henceforth all complaints, petitions, answers and other similar pleadings should specify the amount of damages being prayed for not only in the body of the pleading but also in the prayer, and said damages shall be considered in the assessment of the filing fees in any case. Any pleading that fails to comply with this requirement shall not be accepted nor admitted, or shall otherwise be expunged from the record.

The Court acquires jurisdiction over any case only upon the payment of the prescribed docket fee. An amendment of the complaint or similar pleading will not thereby vest jurisdiction in the Court, much less the payment of the docket fee based on the amounts sought in the amended pleading. The ruling in the Magaspi case in so far as it is inconsistent with this pronouncement is overturned and reversed.[85] (Citation omitted)

Later, in *Sun Insurance Office*,[86] this Court laid down the rules concerning the payment of filing fees, taking into consideration *Magaspi*, *Manchester Development Corporation*, and other earlier rulings:

Thus, the Court rules as follows:

1. It is not simply the filing of the complaint or appropriate initiatory pleading, but the payment of the prescribed docket fee, that vests a trial court with jurisdiction over the subject matter or nature of the action. Where the filing of the initiatory pleading is not accompanied by payment of the docket fee, the court may allow payment of the fee within a reasonable time but in no case beyond the applicable prescriptive or reglementary period.
2. The same rule applies to permissive counterclaims, third-party claims and similar pleadings, which shall not be considered filed until and unless the filing fee prescribed therefor is paid. The court may also allow payment of said fee within a reasonable time but also in no case beyond its applicable prescriptive or reglementary period.
3. Where the trial court acquires jurisdiction over a claim by the filing of the appropriate pleading and payment of the prescribed filing fee but, subsequently, the judgment awards a claim not specified in the pleading, or if specified the same has been left for determination by the court, the additional filing fee therefor shall constitute a lien on the judgment. It shall be the responsibility of the Clerk of Court or his duly authorized deputy to enforce said lien and assess and collect the additional fee.[87]

Notwithstanding *Sun Insurance Office*, it must be emphasized that payment of filing fees in full at the time the initiatory pleading or application is filed is still the general rule. Exceptions that grant liberality for insufficient payment are strictly construed against the filing party. In *Colarina v. Court of Appeals*: [88]

While the payment of docket fees, like other procedural rules, may have been liberally construed in certain cases if only to secure a just and speedy disposition of every action and proceeding, it should not be ignored or belittled lest it scathes and prejudices the other party's substantive rights. The payment of the docket fee in the proper amount should be followed subject only to certain exceptions which should be strictly construed.[89]

Moreover, the filing party must show that there was no intention to defraud the government of the appropriate filing fees due it.[90] In *Manchester Development Corporation*, this Court found that the filing party, in repeatedly omitting the amount of damages it was asking for, aimed to evade payment of docket fees.

In *Philippine First Insurance Company, Inc. v. Pyramid Logistics and Trucking Corporation*, [91] the respondent attempted to pass off its action for collection of money as one for "specific performance and damages," [92] failing

to specify the amounts in the prayer of its complaint. Thus:

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

The Court at this juncture thus reminds Pyramid's counsel to observe Canon 12 of the Code of Professional Ethics which enjoins a lawyer to "exert every effort and consider it his duty to assist in the speedy and efficient administration of justice," and Rule 12.04 of the same Canon which enjoins a lawyer "not [to] unduly delay a case, impede the execution of a judgment or misuse court processes." And the Court reminds too the trial judge to bear in mind that the nature of an action is determined by the allegations of the pleadings and to keep abreast of all laws and prevailing jurisprudence, consistent with the standard that magistrates must be the embodiments of competence, integrity and independence.[93] (Citations omitted)

Likewise, this Court applied the Manchester Development Corporation doctrine in *Central Bank of the Philippines v. Court of Appeals*.^[94] There, private respondent Producers Bank of the Philippines concealed its intent to collect damages by making it appear that its complaint was principally for injunction. Thus, it avoided the need to pay filing fees on the amount of damages.

Should there be a finding that the filing party intended to conceal the amount of its claims to pay a smaller amount of docket fees, demonstrating an intent to defraud the court what it is owed, then the doctrine in *Manchester Development Corporation*, not *Sun Insurance Office*, shall apply.^[95]

Thus, the Regional Trial Court gravely erred when it merely stated in its April 3, 2008 Order that *Sun Insurance Office* was applicable:

The court however is intrigued with the issue raised for the first time by defendant in his reply and supplemental opposition. According to the defendant, since plaintiff willfully and deliberately evaded payment of the correct docket fees for the amounts claimed for interests, penalties and attorney's fees, plaintiff is deemed to have abandoned such claims. Defendant further argues that as a consequence of the non-payment of the correct docket fees by plaintiff, this court has not acquired jurisdiction to award the amounts claimed by the plaintiff.

The concern of defendant in this case is not novel. Nevertheless, the case of *Sun Insurance Office, Ltd. Et al. vs. Hon. Maximiano C. Asuncion and Manuel Chua Uy Po* (G.R. Nos. 79937-38, 13 February 1989) provides a solution on this issue. Hence, there is no more necessity of delving further on this matter.^[96]

The trial court should have closely examined whether the circumstances here warrant the liberality of the *Sun Insurance Office* doctrine, especially when even a cursory application of the governing rules on docket fees at that time shows a glaring omission on respondent's part.

For actions involving recovery of money or damages, the aggregate amount claimed should be the basis for assessment of docket fees. In *Tacay*:^[97]

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

Two situations may arise. One is where the complaint or similar pleading sets out a claim purely for money or damages and there is no precise statement of the amounts being claimed. In this event the rule is that the pleading will "not be accepted nor admitted, or shall otherwise be expunged from the record." In other words,

the complaint or pleading may be dismissed, or the claims as to which the amounts are unspecified may be expunged, although as aforesaid the Court may, on motion, permit amendment of the complaint and payment of the fees provided the claim has not in the meantime become time-barred. The other is where the pleading does specify the amount of every claim, but the fees paid are insufficient; and here again, the rule now is that the court may allow a reasonable time for the payment of the prescribed fees, or the balance thereof, and upon such payment, the defect is cured and the court may properly take cognizance of the action, unless in the meantime prescription has set in and consequently barred the right of action.[98]

When respondent filed its Complaint in 1999, the applicable rule on the basis of the assessment of docket fees was the Supreme Court Administrative Circular No. 11-94, dated June 28, 1994, amending Rule 141 of the Rules of Court. It states in part:

RULE 141
LEGAL FEES

....

Sec. 7. Clerks of Regional Trial Courts

(a) For filing an action or a permissive counterclaim or money claim against an estate not based on judgment, or for filing with leave of court a third-party, fourth-party, etc. complaint, or a complaint in intervention, and for all clerical services in the same, if the total sum claimed, inclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs, or the stated value of the property in litigation, is: . . . (Emphasis supplied)

Thus, the basis for the assessment of the filing fees for respondent's Complaint should not have been only the principal amounts due on the loans, but also the accrued interests, penalties, and attorney's fees. These amounts should have all been specified in both the Complaint's body and prayer.

In its defense, respondent claims that it did not willfully conceal the amount it sought to collect from petitioners, as its Complaint "clearly states"[99] that it intended to collect both the principal amount, plus interests, penalties, and attorney's fees up to the date of actual payment. In effect, respondent claims that it had stated the amount of its claim accurately to assess the filing fees it should pay. Yet, respondent blatantly did not comply with the requirement in Supreme Court Administrative Circular No. 11-94 that the total aggregate amount, including interest claimed, should be specified in the body and prayer of a complaint.

Respondent alleges that it could not determine with certainty the accrued interests, penalties, and attorney's fees petitioners are liable for, pointing to the uncertainty of the date when these additional claims would be awarded by the Regional Trial Court.[100] According to respondent, only the principal amount to be collected could be determined with absolute certainty:

It is clear that the computation of such interest, penalties and attorney's fees would have been impossible to perform on the date of filing of the Complaint as the date of actual payment of the instant claim could not be foreseen or forecasted when the Complaint was filed as evidenced by the fact that to date, Decedent Dragon has willfully and deliberately evaded payment of these loan obligations he obtained from plaintiff TMBC.[101] (Emphasis supplied)

Similarly, the Court of Appeals explained:

Truly, the payment of complete docket fees for the claimed interests, penalties and attorney's fees cannot be made at the time of the filing of the complaint since their true or exact amount cannot be determined as yet with certainty until after the resolution of the case.[102]

However, the demand letters sent to Dragon prior to the filing of respondent's Complaint already contained respondent's computation of the accrued interests, penalties, and attorney's fees corresponding to the Promissory Notes.[103] In its last demand letter before it filed its Complaint, respondent demanded P37,093,353.00 in addition to the P6,945,642.00 principal amount.[104]

Respondent itself, in multiple pleadings, stated that as of April 3, 2002, it had computed the outstanding interests, penalties, and attorney's fees owed it in the amount of P41,082,626.98.[105]

Clearly, respondent is perfectly capable of estimating the accrued interests, penalties, and charges it demanded as of the date it filed its Complaint. But despite respondent's demand letters containing computations of accrued interests, penalties, and attorney's fees, none of these computations were mentioned in the Complaint, either in its body or prayer.

This stands in stark contrast to *Proton Pilipinas Corporation v. Banque Nationale De Paris*.^[106] There, the amount of US\$1,544,984.40 claimed by Banque Nationale De Paris, for which it paid filing fees, represented the principal amount and interest claimed until August 15, 1998. The insufficient payment there pertained only to the unstated accrued interest from August 16, 1998 until September 7, 1998, the day the complaint was filed.

Here, on the other hand, absolutely no filing fees were paid by respondent for the accrued interest it claimed.

In multiple pleadings, respondent reasons that it has not defrauded the government because the court may simply recoup the filing fees in the form of a lien over the judgment award in the event that it be awarded all the amounts it is allegedly owed.

In its March 19, 2008 Rejoinder (To Defendant's Reply dated 21 February 2008) with Supplemental Reply (To Defendant's Supplemental Opposition dated 21 February 2008):^[107]

8. Following the *Sun Insurance* (Supra.) ruling, any additional filing fees due on the award made by this Honorable Court upon its proper determination of the interest, penalties and attorney's fees that should rightfully be paid by defendant Dragon for putting plaintiff TMBC through all this trouble, shall constitute a lien upon this Honorable Court's Judgment. As such, the government will not be defrauded, of the filing fees due it and defendant Dragon will not be spared from paying what he should rightfully be held liable for.^[108] (Emphasis in the original)

In its October 23, 2009 Plaintiff-Appellee's Brief:^[109]

20. Following the *Sun Insurance* (Supra.) and *Soriano and Padilla* (Supra.) rulings, any additional filing fees due on the Appealed Decision, upon the proper determination of the amount of interest, penalties and attorney's fees that should rightfully be paid by Defendant-Appellant Dragon to TMBC, shall constitute a lien upon the Judgment. As such, the government will not be defrauded of the filing fees due it and Defendant-Appellant Dragon will not be spared from paying what he should rightfully be held liable for.^[110] (Emphasis in the original)

In its November 3, 2009 Reply Brief:^[111]

19. Following the *Sun Insurance* (Supra.) and *Soriano and Padilla* (Supra.) rulings, any additional filing fees due on the award in favor of TMBC, upon the proper determination of the amount of interest, penalties and attorney's fees that should rightfully be paid by Defendant Dragon to TMBC, shall constitute a lien upon such award. As such, the government will not be defrauded of the filing fees due it and Defendant Dragon will not be spared from paying what he should rightfully be held liable for.^[112] (Emphasis in the original)

In its June 10, 2013 Comment:^[113]

96. Following the Sun Insurance (Supra.) and Soriano and Padilla (Supra.) rulings, any additional filing fees due on the Appealed Decision, upon the proper determination of the amount of interest, penalties and attorney's fees that should rightfully be paid by Decedent Dragon to TMBC, shall constitute a lien upon the Judgment. As such, the government will not be defrauded of the filing fees due it and Decedent Dragon will not be spared from paying what he should rightfully be held liable for.[114] (Emphasis in the original)

In its May 8, 2014 Memorandum:[115]

106. Following the Sun Insurance (Supra.) and Soriano and Padilla (Supra.) rulings, any additional filing fees due on the Appealed Decision, upon the proper determination of the amount of interest, penalties and attorney's fees that should rightfully be paid by Decedent Dragon to TMBC, shall constitute a lien upon the judgment. As such, the government will not be defrauded of the filing fees due it and Decedent Dragon will not be spared from paying what he should rightfully be held liable for.[116] (Emphasis in the original)

What respondent forgets is that the payment of correct docket fees cannot be made contingent on the result of the case.[117] Otherwise, the government and the judiciary would sustain tremendous losses, as these fees "take care of court expenses in the handling of cases in terms of cost of supplies, use of equipment[t], salaries and fringe benefits of personnel, etc., computed as to man hours used in handling of each case." [118]

Concededly, Rule 141, Section 2 of the Rules of Court states:

SEC. 2. Fees in lien. — Where the court in its final judgment awards a claim not alleged, or a relief different from, or more than that claimed in the pleading, the party concerned shall pay the additional fees which shall constitute a lien on the judgment in satisfaction of said lien. The clerk of court shall assess and collect the corresponding fees.

However, the rule on after-judgment liens applies to instances of incorrectly assessed or paid filing fees, or where the court has discretion to fix the amount to be awarded.[119] In *Proton Pilipinas Corporation*:[120]

In *Ayala Corporation v. Madayag*, in interpreting the third rule laid down in *Sun Insurance* regarding awards of claims not specified in the pleading, this Court held that the same refers only to damages arising after the filing of the complaint or similar pleading as to which the additional filing fee therefor shall constitute a lien on the judgment.

. . . The amount of any claim for damages, therefore, arising on or before the filing of the complaint or any pleading should be specified. While it is true that the determination of certain damages as exemplary or corrective damages is left to the sound discretion of the court, it is the duty of the parties claiming such damages to specify the amount sought on the basis of which the court may make a proper determination, and for the proper assessment of the appropriate docket fees. The exception contemplated as to claims not specified or to claims although specified are left for determination of the court is limited only to any damages that may arise after the filing of the complaint or similar pleading for then it will not be possible for the claimant to specify nor speculate as to the amount thereof.[121] (Emphasis in the original)

Further, nowhere in any of respondent's pleadings filed before any court did respondent manifest its willingness, to the Regional Trial Court or to the Court of Appeals or to this Court, that it will be paying additional docket fees when required. Its repeated invocation of *Sun Insurance* Office is not a manifestation of willingness to pay additional docket fees contemplated in *United Overseas Bank* and subsequent cases.[122] In none of its pleadings did respondent allude to paying any additional docket fee if so ordered; instead, it left it to the courts to constitute a lien over a hypothetical award, to which it was not entitled, as both lower courts have already held.

Unlike other cases,[123] the amount of unremitted filing fees here is substantial. Respondent paid only P34,975.75 in filing fees based on its P6,945,642.00 claim alleged in its Complaint.[124] If respondent had properly stated the total sum it claimed in its prayer, including the interests, penalties, and charges, it should have

paid P222,300.43, as computed by the clerk of court.[125] In effect, respondent only paid 15.7% of the docket fees it owes the court.

Under the circumstances, a liberal application of the rules on payment of filing fees is unwarranted. In accordance with Manchester Development Corporation, the Regional Trial Court did not acquire jurisdiction over the Complaint due to respondent's insufficient payment of filing fees.

WHEREFORE, the Petition for Review on Certiorari is GRANTED. The Court of Appeals June 27, 2012 Decision and December 5, 2012 Resolution in CA-G.R. CV No. 92266 are REVERSED AND SET ASIDE. The January 7, 1999 Complaint filed by respondent The Manila Banking Corporation before the Regional Trial Court is DISMISSED for lack of jurisdiction due to non-payment of filing fees.

SO ORDERED.

Peralta, (Chairperson), A. Reyes, Jr., Hernando, and Carandang,[*] JJ., concur.

[*] Designated additional Member per Special Order No. 2624 dated November 28, 2018.

[1] Rollo, pp. 18-56. The Petition was filed under Rule 45 of the Rules of Court.

[2] Id. at 57-68. The Decision was penned by Associate Justice Manuel M. Barrios, and concurred in by Associate Justices Sesonando E. Villon and Apolinario D. Bruselas, Jr. of the Special Fourth Division, Court of Appeals, Manila.

[3] Id. at 69-72. The Resolution was penned by Associate Justice Manuel M. Barrios, and concurred in by Associate Justices Sesonando E. Villon and Apolinario D. Bruselas, Jr. of the Former Special Fourth Division, Court of Appeals, Manila.

[4] Id. at 225-248. The Decision was penned by Judge Elmo M. Alameda of Branch 150, Regional Trial Court, Makati City.

[5] Id. at 264.

[6] Id. at 265-266.

[7] Id. at 267.

[8] Id. at 268.

[9] Id. at 270.

[10] Id. at 514-523.

[11] Id. at 522.

[12] Id.

[13] Id. at 524-527.

[14] Id. at 526.

[15] Id. at 256-259.

[16] Id. at 256-257.

[17] Id. at 233-235 and 272-273. Abrantes is at times spelled as "Abantes."

[18] Id. at 239-240.

[19] Id. at 257-258.

[20] Id. at 225-248.

[21] Id. at 248.

[22] Id. at 240.

[23] Id. at 240-241.

[24] Id. at 245-246.

[25] Id. at 246-247.

[26] Id. at 249.

[27] Id. at 311-332.

[28] Id. at 312-314.

[29] Id. at 249-250.

[30] 252 Phil. 280 (1989) [Per J. Gancayco, En Banc].

[31] Rollo, p. 250.

[32] Id. at 57-68.

[33] Id. at 63-64.

[34] Id. at 64.

[35] Id. at 64-66.

[36] Id. at 65.

[37] Id. at 66.

[38] Id. at 66-67.

[39] Id. at 69-72.

[40] Id. at 71.

[41] Id. at 3-7.

[42] Id. at 16-A-16-C.

[43] Id. at 18-56.

[44] Id. at 31-36.

[45] Id. at 34-35.

[46] 259 Phil. 927 (1989) [Per J. Narvasa, En Banc].

[47] Rollo, pp. 35.

- [48] Id. at 36-42.
- [49] Id. at 42-44.
- [50] Id. at 48-52.
- [51] Id. at 455.
- [52] Id. at 461-508.
- [53] Id. at 470-481.
- [54] Id. at 481-485.
- [55] Id. at 495-499.
- [56] Id. at 499-505.
- [57] Id. at 872.
- [58] Id. at 877-886.
- [59] Id. at 877-883.
- [60] Id. at 890-890-A.
- [61] Id. at 891-935.
- [62] Id. at 936-975.
- [63] David v. David, 724 Phil. 239 (2014) [Per J. Bersamin, First Division].
- [64] Rollo, pp. 36-43.
- [65] Id. at 294-295.
- [66] Id. at 294.
- [67] Id. at 295-296.
- [68] Id.
- [69] Id. at 298.
- [70] Arco Pulp and Paper Company, Inc. v. Lim, 737 Phil. 133 (2014) [Per J. Leonen, Third Division].
- [71] Crisostomo v. Garcia, Jr., 516 Phil. 743 (2006) [Per J. Chico-Nazario, First Division].
- [72] Rollo, pp. 66-67.
- [73] Cacho v. Balagtas, G.R. No. 202974, February 7, 2018, <elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64051> [Per J. Leonardo-De Castro, First Division]; Cabrera v. Clarin, G.R. No. 215640, November 28, 2016 [Per J. Peralta, Third Division]; and Adlawan v. Joaquin, G.R. No. 203152, June 20, 2016 [Per J. Brion, Second Division].
- [74] Amoguis v. Ballado, G.R. No. 189626, August 20, 2018, <elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64639> 15 [Per J. Leonen, Third Division].
- [75] 734 Phil. 239 (2014) [Per J. Leonen, Third Division].

[76] Id. at 259-261.

[77] *Pantranco North Express, Inc. v. Court of Appeals*, 296 Phil. 335 (1993) [Per J. Davide, Jr., Third Division]; *National Steel Corporation v. Court of Appeals*, 362 Phil. 150 (1999) [Per J. Mendoza, Second Division]; and *International Container Terminal Services, Inc. v. City of Manila*, G.R. No. 185622, October 17, 2018, elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64632 [Per J. Leonen, Third Division].

[78] Rollo, pp. 256-259.

[79] Id. at 311-332.

[80] RULES OF COURT, Rule 141, sec. 1 states:

SECTION 1. Payment of fees. — Upon the filing of the pleading or other application which initiates an action or proceeding, the fees prescribed therefor shall be paid in full.

[81] *Lazaro v. Endencia*, 57 Phil. 552 (1932) [Per J. Hull, En Banc]; *Malimit v. Degamo*, 120 Phil. 1247 (1964) [Per J. Dizon, Second Division]; *Mercado v. Court of Appeals*, 484 Phil. 438 (2004) [Per J. Quisimbing, First Division]; and *Montañer v. Shari'a District Court*, 596 Phil. 815 (2009) [Per C.J. Puno, First Division].

[82] 200 Phil. 583 (1982) [Per J. Abad Santos, Second Division].

[83] Id. at 595.

[84] 233 Phil. 579 (1987) [Per J. Gancayco, En Banc].

[85] Id. at 585.

[86] 252 Phil. 280 (1989) [Per J. Gancayco, En Banc].

[87] Id. at 291-292.

[88] 363 Phil. 271 (1999) [Per J. Bellosillo, Second Division].

[89] Id. at 278.

[90] *Heirs of Hinog v. Melicor*, 495 Phil. 422 (2005) [Per J. Austria-Martinez, Second Division]; *Intercontinental Broadcasting Corporation v. Legasto*, 521 Phil. 469 (2006) [Per J. Ynares-Santiago, First Division]; and *United Overseas Bank v. Ros*, 556 Phil. 178 (2007) [Per J. Chico-Nazario, Third Division].

[91] 579 Phil. 679 (2008) [Per J. Carpio Morales, Second Division].

[92] Id. at 681.

[93] Id. at 693.

[94] 284-A Phil. 143 (1992) [Per J. Davide, Jr., En Banc].

[95] *United Overseas Bank v. Ros*, 556 Phil. 178 (2007) [Per J. Chico-Nazario, Third Division].

[96] Rollo, p. 250.

[97] 259 Phil. 927 (1989) [Per J. Narvasa, En Banc].

[98] Id. at 937-938.

[99] Rollo, p. 923.

[100] Id. at 495.

[101] Id. at 497.

[102] Id. at 71.

[103] Id. at 514-518, 520, and 522.

[104] Id. at 522.

[105] Id. at 698 and 708-709.

[106] 499 Phil. 247 (2005) [Per J. Carpio Morales, Third Division].

[107] Rollo, pp. 657-682.

[108] Id. at 662.

[109] Id. at 751-796.

[110] Id. at 766-767.

[111] Id. at 797-830.

[112] Id. at 805-806.

[113] Id. at 461-508.

[114] Id. at 499.

[115] Id. at 891-935.

[116] Id. at 926-927.

[117] *Pilipinas Shell Petroleum Corporation v. Court of Appeals*, 253 Phil. 660 (1989) [Per J. Paras, Second Division].

[118] Id. at 667. See also *Far East Bank and Trust Company v. Shemberg Marketing Corporation*, 540 Phil. 7 (2006) [Per J. Sandoval-Gutierrez, Second Division].

[119] *Do-All Metals Industries, Inc. v. Security Bank Corporation*, 654 Phil. 35 (2011) [Per J. Abad, Second Division].

[120] 499 Phil. 247 (2005) [Per J. Carpio Morales, Third Division].

[121] Id. at 266-267.

[122] See *Heirs of Reinoso, Sr. v. Court of Appeals*, 669 Phil. 272 (2011) [Per J. Mendoza, Third Division]; *Negros Oriental Planters Association, Inc. v. Hon. Presiding Judge of Regional Trial Court-Negros Occidental, Branch 52, Bacolod City*, 595 Phil. 1158 (2008) [Per J. Chico-Nazario, Third Division]; and *Spouses Gutierrez v. Spouses Valiente*, 579 Phil. 486 (2008) [Per J. Austria-Martinez, Third Division].

[123] See *Negros Oriental Planters Association, Inc. v. Presiding Judge of Regional Trial Court-Negros Occidental, Branch 52, Bacolod City*, 595 Phil. 1158 (2008) [Per J. Chico-Nazario, Third Division] and *Ku v. RCBC Securities, Inc.*, G.R. No. 219491, October 17, 2018, <elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64662> [Per J. Peralta, Third Division].

[124] Rollo, p. 333.

[125] Id. at 334.

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