

INHELDER CORPORATION, PETITIONER, VS. COURT OF APPEALS, DANIEL PANGANIBAN AND PAULA RAMIREZ PANGANIBAN, RESPONDENTS.

G.R. No. 52358. May 30, 1983

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

What commenced the instant proceedings is a case (hereinafter referred to as the DAMAGE CASE) instituted by private respondents (hereinafter referred to as the PANGANIBANS), residents of Calapan, Oriental Mindoro, against petitioner (hereinafter referred to as INHELDER), domiciled in Mandaluyong, Rizal, before the Court of First Instance of Oriental Mindoro (hereinafter referred to as the MINDORO COURT). The Complaint alleged that INHELDER had filed a case (hereinafter referred to as the COLLECTION CASE) against the PANGANIBANS before the Municipal Court of Mandaluyong, Rizal (hereinafter referred to as MANDALUYONG COURT), which was subsequently dismissed; that the COLLECTION CASE (Civil Case No. 5582), was clearly unfounded; and that the PANGANIBANS were entitled, as against INHELDER, to quantified damages totalling P169,550.00. The prayer in the complaint was:

"WHEREFORE, it is most respectfully prayed:

- That defendant be ordered to pay plaintiffs the amount of FOUR THOUSAND FIVE HUNDRED FIFTY PESOS (P4,550.00), as actual damages spent by plaintiffs in Civil Case No. 5582 of the Municipal Court of Mandaluyong, Rizal;
- That defendant be ordered to pay plaintiffs the amount of FIVE THOUSAND PESOS (P5,000.00) as attorney's fees in Civil Case No. 5582;
- That defendant be ordered to pay plaintiffs the amount of FIFTY THOUSAND PESOS (P50,000.00) as compensatory damages for injury to plaintiffs' business standing or commercial credit pursuant to Art. 2205, par. 2 of the New Civil Code in relation to Art. 2201 and 2202 of the same Code;
- That defendant be ordered to pay plaintiffs the amount of FIFTY THOUSAND PESOS (P50,000.00) as moral and/or compensatory damages due to the nervous breakdown suffered by plaintiff Dra. Paula R. Panganiban, pursuant to Arts. 2201, 2202 and 2217 of the New Civil Code;
- That defendant be ordered to pay plaintiffs the amount of FIFTY THOUSAND PESOS (P50,000.00) as moral damages suffered by plaintiffs due to the mental anguish, social humiliation, besmirched reputation and similar injury;
- That defendant be ordered to pay plaintiffs the amount of TEN THOUSAND PESOS (P10,000.00) as attorney's fees in prosecuting this claim;
- That defendant be ordered to pay plaintiffs any amount that may be determined by this Honorable Court as exemplary or corrective damages pursuant to Art. 2229 of the New Civil Code;

- And for such other relief as may be deemed just and equitable in the premises."

As will be seen, the complaint of the PANGANIBANS was essentially for actual and compensatory damages, moral damages and exemplary damages, based on the alleged clearly unfounded COLLECTION CASE.

After declaring INHELDER in default in the DAMAGE CASE, the MINDORO COURT rendered judgment in favor of the PANGANIBANS as follows:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendant Inhelder Corporation, as follows:

- Ordering defendant to pay plaintiffs the sum of P4,550.00 as actual damages spent by plaintiffs in Civil Case No. 5582 of the Municipal Court of Mandaluyong, Rizal, as well as the sum of P3,000.00 as attorney's fees in said Civil Case 5582;

- Ordering defendant to pay plaintiffs the sum of P50,000.00 as compensatory damages for injury to plaintiffs business standing;

- Ordering defendant to pay plaintiff the sum of P50,000.00 as compensatory damages due to the nervous breakdown suffered by plaintiff Paula R. Panganiban and the additional amount of P50,000.00 for moral damages plaintiffs sustained due to mental anguish, social humiliation, besmirched reputation and other similar injuries;

- Ordering defendant to pay plaintiffs the sum of P50,000.00 as exemplary damages;

- Ordering defendant to pay plaintiffs the sum of P5,000.00 in the form of attorney's fees.

With costs against defendant corporation."

It will be noted that the P5,000.00 claim for attorney's fees corresponding to the COLLECTION CASE was reduced from P5,000.00 to P3,000.00, and attorney's fees corresponding to the DAMAGE CASE was reduced from P10,000.00 to P5,000.00. But the prayed for P50,000.00 "as moral and/or compensatory damages due to the nervous break-down suffered by plaintiff Dra. Paula R. Panganiban" was increased to P100,000.00, that is, P50,000.00 compensatory and P50,000.00 moral. Thus, the total damages granted to the PANGANIBANS by the MINDORO COURT amounted to P169,550.00 minus P7,000.00 plus P50,000.00, or P212,550.00.

On appeal by INHELDER, the Appellate Court[*] reduced the total damages awarded to the PANGANIBANS from P212,550.00 to P41,550.00 by modifying the judgment of the MINDORO COURT as follows:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant Inhelder Corporation as follows:

- Ordering defendant to pay plaintiffs the sum of P4,550.00 as actual damages spent by plaintiffs in Civil Case No. 5582 of the Municipal Court of Mandaluyong, Rizal as well as the sum of P2,000.00 as attorney's fees in Civil Case No. 5582;

- Ordering defendant to pay plaintiffs the sum of P10,000.00 as compensatory damages for injury to plaintiffs' business standing;

- Ordering defendant to pay plaintiffs the sum of P10,000.00 as compensatory damages due to the nervous breakdown suffered by plaintiff Paula R. Panganiban;

- Ordering defendant to pay plaintiffs the sum of P10,000.00 as exemplary damages;

- Ordering defendant to pay plaintiffs the sum of P5,000.00 in the form of attorney's fees for the prosecution of this case."

The background facts and circumstances of the COLLECTION CASE can be stated as follows:

- (a) INHELDER is engaged in the manufacture and sale of medicines and drug. Its principal office is at No. 41 Pioneer Street, Mandaluyong, Rizal (now Metro Manila).

(b) McGaw Baxter Laboratories, Inc. appears to be another Company also having its principal office at No. 41 Pioneer Street.

(c) INHELDER's lawyer, both in the COLLECTION CASE and in the DAMAGE CASE is Atty. Maximo M. Fajardo, Jr. He appears to have offices both at INHELDER (Annex "C", Petition for Review) and at McGaw Baxter Laboratories, Inc.[1]

- The PANGANIBANS, physicians, are the owners of the DOCTOR's CLINIC in Calapan.

- On December 29, 1972, DOCTOR's CLINIC purchased medicines and drugs from INHELDER in the amount of P1,385.10, payable in installments. The PANGANIBANS were able to pay the amount of P824.10 for that purchase, leaving a balance of P561.00 which had remained unpaid for approximately two years.

- On December 2, 1974, Atty. Fajardo sent a letter to the PANGANIBANS requesting settlement of the said amount of P561.00. In their reply, the PANGANIBANS requested a statement of account which was sent to them on January 17, 1975 with a follow-up letter, again, requesting remittance of the outstanding balance of P561.00.

- (a) On January 28, 1975, the PANGANIBANS, as stated by them, "sent PNB Check No. 32058 to (INHELDER) in the amount of P561.00, dated January 28, 1975; and said check was received by (INHELDER) on or before February 5, 1975".[2]

(b) The check must have been sent by mail. If it was personally delivered, the PANGANIBANS would know the specific date when the check was received, which then would not be "on or before February 5, 1975".

(c) It can be presumed that the PNB Check was drawn on the PNB Branch in Calapan.

- On February 8, 1975, Atty. Fajardo prepared the complaint in the COLLECTION CASE, which was filed with the MANDALUYONG COURT on February 12, 1975.

- (a) On February 19, 1975, INHELDER sent a letter to the PANGANIBANS "acknowledging the receipt of the PNB Check No. 32058 in the amount of P561.00 representing full payment of the ('PANGANIBANS') account with INHELDER".[3]

(b) For the payment made by the PANGANIBANS to be effective, the PNB Check must first be cleared with the PNB Branch in Calapan, which could have been completed only on February 19, 1975.

- The records do not disclose the written Answer to the complaint in the COLLECTION CASE. In regards to the hearing thereof on May 14, 1975, the PANGANIBANS have alleged:

"22. That during the hearing of the instant case before the Municipal Court of Mandaluyong, undersigned counsel showed to the Court plaintiffs' receipts to the effect that several days before the malicious and unfounded complaint was filed before said Court Dr. and Mrs. Panganiban had already paid their accounts and as a matter of fact the Inhelder Corporation has acknowledged receipt of payment, thus, upon motion of the undersigned counsel, Civil Case No. 5582 was dismissed without the objection of Atty. Maximo M. Fajardo, Jr., counsel for the Inhelder Corporation;

23. That the ORDER of dismissal by the Municipal Judge of Mandaluyong, Rizal dated May 14, 1975, was given in open court and the written order was sent to the undersigned counsel later at Calapan, Oriental Mindoro thru the mails, hence, it is very clear that said ORDER of dismissal, with the conformity of defendant

Inhelder Corporation, has already become final; insofar as plaintiffs and defendant are concerned;"[4]

On the above facts and circumstances, it should be difficult to conclude that the COLLECTION CASE was a clearly unfounded civil action. It is not clear that the account of the PANGANIBANS had already been paid as of February 12, 1975. Under Article 1249 of the Civil Code, payment should be held effective only when PNB Check No. 32058 was actually cashed by, or credited to the account of, INHELDER. If that did not eventuate on or before February 12, 1975, and there is no proof that it did, the account would still be unpaid, and the complaint in the COLLECTION CASE, technically, could not be considered as substantially unfounded.

It is true that when the check of the PANGANIBANS was received on February 5, 1975, the better procedure would have been to withhold a complaint pending determination of whether or not the check was good. If dishonored, that would be the time to file the complaint. That procedure was not followed because of the failure of the corresponding advice which could have been given to Atty. Fajardo by the INHELDER Credit and Collection Manager. But the lack of that advice should not justify qualifying the COLLECTION CASE as clearly unfounded. If the check had bounced, the COLLECTION CASE would have been tried and acted upon by the MANDALUYONG COURT on the merits.

Neither may it be said that the COLLECTION CASE was malicious. Malicious prosecution, to be the basis of a suit, requires the elements of malice and want of probable cause.[5] There must be proof that the prosecution was prompted by a sinister design to vex and humiliate a person, and that it was initiated deliberately knowing that the charge was false and groundless.[6]

In the present case, there is no evidence on record, clearly establishing these two elements. Although there may be want of probable cause, there is no proof that petitioner deliberately initiated the COLLECTION CASE knowing that the same was false and groundless.

And the rule is the same for criminal prosecution and civil suits.

"To support an action for malicious prosecution under American law the plaintiff must prove, in the first place, the fact of the prosecution and the fact that the defendant was himself the prosecutor, or that he instigated its commencement, and that it finally terminated in his acquittal, that, in bringing it, the prosecutor had acted without probable cause, and that he was actuated by legal malice, i.e., by improper or sinister motives. These three elements must concur; and there is no distinction between actions for criminal prosecutions and civil suits. Both classes require substantially the same essentials. Malice is essential to the maintenance of an action for malicious prosecution and not merely to the recovery of exemplary damages. But malice alone does not make one liable for malicious prosecution where probable cause is shown, even where it appears that the suit was brought, for the mere purpose of vexing, harassing and injuring his adversary. In other words, malice and want of probable cause must both exist in order to justify the action. (Buchanan vs. Vda. de Esteban, 32 Phil. 363)."[7] (Italics ours)

Nor can malice be inferred from want of probable cause.

"It would be a harsh rule to hold that, where the evidence was merely sufficient to make a prima facie showing of want of probable cause, malice must necessarily be inferred therefrom".[8]

It should also be stressed that the mere filing of a suit does not render a person liable for malicious prosecution should he be unsuccessful. The law could not have meant to impose a penalty on the right to litigate.[9] Sound principles of justice and public policy demand that persons shall have free resort to Courts of law for redress of wrongs and vindication of their rights without fear of later on standing trial for damages should their actions lose ground.[10] As expressed by Chief Justice Enrique M. Fernando from a broader perspective:

". . . Well-worth paraphrasing is the thought expressed in a United States Supreme Court decision as to the

existence of an abiding and fundamental principle that the expenses and annoyance of litigation form part of the social burden of living in a society which seeks to attain social control through law."^[11]

At this juncture, it may not be amiss to remind Trial Courts to guard against the award of exorbitant damages that are way out of proportion to the environmental circumstances of a case and which, time and again, this Court has reduced or eliminated. Judicial discretion granted to the Courts in the assessment of damages must always be exercised with balanced restraint and measured objectivity.

WHEREFORE, the appealed judgment of the erstwhile Court of Appeals is hereby reversed, and the decision of the Court of First Instance of Oriental Mindoro in its Civil Case No. R-2525 is set aside.

No costs.

SO ORDERED.

Teehankee (Chairman), Plana, Vasquez and Gutierrez, Jr., JJ., concur.
Relova, J., took no part.

[*] Former Eleventh Division composed of Justices Lorenzo Relova, Rodolfo A. Nocon (ponente) and Oscar R. Victoriano.

[1] p. 21, Record on Appeal.

[2] p. 6, *ibid.*

[3] p. 7, *ibid.*

[4] pp. 12-13.

[5] *Martinez vs. United Finance Corp.* 34 SCRA 524 (1970).

[6] *Manila Gas Corp. vs. Court of Appeals*, 100 SCRA 602 (1980).

[7] *Rehabilitation Finance Corporation vs. Koh*, 4 SCRA 535, 540 (1962).

[8] *Anderson vs. Seattle Lighting Co.*, 127 P 1108, 1111, *Ton vs. Stetson*, 86 P 668, 670.

[9] *Barreto vs. Arevalo*, 99 Phil. 771 (1956).

[10] *Buenaventura vs. Sto. Domingo*, 103 Phil. 239 (1958).

[11] *Dioquino vs. Laureano*, 33 SCRA 65, 72 (1970).

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