

MINDANAO PORTLAND CEMENT CORPORATION, PETITIONER, VS. COURT OF APPEALS, PACWELD STEEL CORPORATION AND ATTY. CASIANO P. LAQUIHON, RESPONDENTS.

G.R. No. 62169, February 28, 1983

Ponente: TEEHANKEE, J.

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TEEHANKEE, J.:

The Court of Appeals (now Intermediate Appellate Court) certified petitioner's appeal therein as defendant-appellant, docketed as C.A.-G.R.-65102 thereof, to this Court as involving only questions of law in its Resolution of August 31, 1982, reading as follows:

"The 'Statement of the Case' and the 'Statement of Facts' contained in appellant's brief follow:

STATEMENT OF FACTS

'On January 3, 1978, one Atty. Casiano P. Laquihon, in behalf of third-party defendant Pacweld Steel Corporation (Pacweld for short) as the latter's attorney, filed a pleading addressed to the defendant & Third-Party Plaintiff Mindanao Portland Cement Corporation (MPCC for short), herein appellant, entitled 'motion to direct payment of attorney's fee to counsel' (himself), invoking in his motion the fact that in the decision of the court of Sept. 14, 1976, MPCC was adjudged to pay Pacweld the sum of P10,000.00 as attorney's fees (Record on Appeal, pp. 1, 6-9).

'On March 14, 1978, MPCC filed an opposition to Atty. Laquihon's motion, stating, as grounds therefor, that said amount is set-off by a like sum of P10,000.00 which it (MPCC) has collectible in its favor from Pacweld also by way of attorney's fees which MPCC recovered from the same Court of First Instance of Manila (Branch XX) in Civil Case No. 68346, entitled 'Pacweld Steel Corporation, et al.,' a writ of execution to this effect having been issued by said court (Record on Appeal, pp. 2, 10-14).

'On June 26, 1978 the court issued the order appealed from (Record on Appeal, pp. 24-25) and despite MPCC's motion for reconsideration of said order, citing the law applicable and Supreme Court decisions (Record on Appeal, pp. 26-33), denied the same in its order of August 28, 1978 (Record on Appeal, p. 37), also subject matter of this appeal.

'The writ of execution referred to above which MPCC has invoked to set-off the amount sought to be collected by Pacweld through the latter's lawyer, Atty. Casiano P. Laquihon, is hereunder quoted in full.'

"In his brief, appellee comments that the statements in appellant's brief are 'substantially correct,' as follows:

STATEMENT OF THE CASE

'This is an appeal from the Order of the Court of First Instance of Manila (Branch X) dated June 26, 1978 ordering the appellant (MINDANAO PORTLAND CEMENT CORPORATION) to pay the amount of P10,000.00 attorney's fees directly to Atty. Casiano B. Laquihon (Record on Appeal, pp. 24-25) and from the Order dated August 28, 1978 denying appellant's motion for reconsideration (Record on Appeal, p. 37).'

"There was no trial or submission of documentary evidence. Against the orders of June 26, 1978, and August 28, 1978, appellant has brought this appeal to this Court, contending that:

'The lower court erred in not holding that the two obligations are extinguished reciprocally by operation of law.' (p. 6, Appellant's Brief)

"This appeal calls for the application of Arts. 1278, 1279 and 1290 of the Civil Code, as urged by the appellant. Another question is: The judgment in Civil Case No. 75179 being already final at the time the motion under consideration was filed, does not the order of June 26, 1976 constitute a change or alteration of the said judgment, though issued by the very same court that rendered the judgment?

"WHEREFORE, since only questions of law are involved and there is no factual issue left for us to determine, let the records of the appeal in this case be certified to the Honorable Supreme Court for determination."

After considering the briefs of the parties in the appellate court and the additional pleadings required of them by this Court, the Court finds merit in the appeal and sets aside the appealed orders of June 26 and August 28, 1978 of the Court of First Instance (now Regional Trial Court) of Manila, Branch XX.

It is clear from the record that both corporations, petitioner Mindanao Portland Cement Corporation (appellant) and respondent Pacweld Steel Corporation (appellee), were creditors and debtors of each other, their debts to each other consisting in final and executory judgments of the Court of First Instance in two (2) separate cases, ordering the payment to each other of the sum of P10,000.00 by way of attorney's fees. The two (2) obligations, therefore, respectively offset each other, compensation having taken effect by operation of law and extinguished both debts to the concurrent amount of P10,000.00, pursuant to the provisions of Arts. 1278, 1279 and 1290 of the Civil Code, since all the requisites provided in Art. 1279 of the said Code for automatic compensation "even though the creditors and debtors are not aware of the compensation" were duly present.[*]

Necessarily, the appealed order of June 26, 1978 granting Atty. Laquihon's motion for amendment of the judgment of September 14, 1976 against Mindanao Portland Cement Corporation so as to make the award therein of P10,000.00 as attorney's fees payable directly to himself as counsel of Pacweld Steel Corporation instead of payable directly to said corporation as provided in the judgment, which had become final and executory long before the issuance of said "amendatory" order was a void alteration of judgment. It was a substantial change or amendment beyond the trial court's jurisdiction and authority and it could not defeat the compensation or set-off of the two (2) obligations of the corporations to each other which had already extinguished both debts by operation of law.

ACCORDINGLY, the appealed orders are hereby annulled and set aside. No costs.

Melencio-Herrera, Plana, Vasquez, Relova and Gutierrez, Jr., JJ., concur.

[*] "ART. 1278. Compensation shall take place when two persons, in their own right, are creditors and debtors of each other.

"ART. 1279. In order that compensation may be proper, it is necessary:

- (1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;
- (2) That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;

(3) That the two debts be due;

(4) That they be liquidated and demandable;

(5) That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.

"ART. 1290. When all the requisites mentioned in Art. 1279 are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation."

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