

SOCIAL SECURITY COMMISSION (FOR THE SOCIAL SECURITY SYSTEM) PETITIONER, VS. PONCIANO L. ALMEDA AND EUFEMIA P. ALMEDA, RESPONDENTS.

G.R. No. 75428, December 14, 1988

Ponente: PARAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-75428/>

PARAS, J.:

This is an appeal by way of petition for review of the decision[*] of the Court of Appeals (third Civil Cases Division) in AC-G.R. No. 06230 entitled "Ponciano L. Almeda, et al v. Social Security Commission" promulgated on July 21, 1986 holding that the amount of attorney's fees equivalent to 15% of the amount of total indebtedness collected by petitioner Social Security System from respondent Ponciano Almeda and Eufemia Almeda is "excessive and unreasonable." (pp. 12-13, Rollo)

The facts as summarized by the Solicitor General in his MEMORANDUM, are as follows:

"In 1965, Ponciano Almeda and his wife Eufemia Almeda applied for and obtained approval of a commercial loan in the amount of THREE MILLION (P3,000,000.00) PESOS from the Social Security System (SSS) payable in ten years (with interest) at the rate of 9% per annum and under the terms and conditions contained in the Deed of First Mortgage executed by and between the parties. (Exhibit "1", also Exhibit "A"; p. 5, Record)

"The proceeds of the loan were to be used for the construction of a 7-storey commercial building in Pasong Tamo, Makati, Rizal. As provided under paragraph 11 of the Deed of First Mortgage, 'no deviation whatsoever from the approved plans, specifications and bill of materials shall be made without the express and written consent of the MORTGAGEE.'

"After receiving an initial release of EIGHT HUNDRED EIGHTY THOUSAND (P880,000.00) PESOS, Almeda however started construction of the proposed building on a different lot and on the basis of a revised plan without the prior written consent of SSS. This prompted SSS to inform Almeda 'to desist from continuing the construction based on the altered plans' and that 'should you, however, insist to proceed with the construction of the building in accordance with the revised plans x x x, you are requested to remit to our office, Legal Department, SSS Building, East Avenue, Quezon City, the amount of P880,000.00 plus the accrued interest thereon.' (p. 3, Exhibit 12, p. 264, Record)

"Thereupon, Almeda filed with the then Court of First Instance of Rizal a complaint for specific performance and damages, docketed as Civil Case No. 9967 entitled, 'Ponciano Almeda, et al. v. Social Security Commission.' The trial court ruled in favor of Almeda ordering SSS among other things to pay and release to Almeda the balance of the approved loan.

"SSS appealed the adverse decision of the trial court to the Court of Appeals which ruled that Almeda committed 'substantial and fundamental breach of the loan,' (CA-G.R. No. 44009-R) thus sustaining SSS's act in declaring the whole amount of P880,000.00 including interest and other charges thereon due and demandable. (p. 8, id; p. 269, Record). This Honorable Court under G.R. No. L-37628 denied Almeda's

petition for review (Exhibit 13, p. 273, Record)

"Upon failure of Almeda to pay the total obligation, SSS initiated foreclosure proceedings against the mortgage offered as security for the loan. Before the date of the auction sale, Almeda negotiated for full settlement of the obligation and on March 21, 1974 paid the following amounts itemized, to wit:

Principal P880,000.00

Interest from 1/7/66 to 3/21/74 956,603.55

Fire Insurance 32,149.16

Interest

9,298.13

Sheriff's fee & publication expenses 513.20

P1,878,564.04

15% Attorney's fees 281,784.61

T o t a l

P2,160,348.65

"The charges for attorney's fees were in consonance with paragraph 18 of the Deed of First Mortgage providing as follows:

'18. That should the MORTGAGORS be in default or should the MORTGAGEE in any manner and for any reason be involved in any litigation on account of the properties herein mortgaged, or should foreclosure proceedings be instituted in accordance with the provisions hereof, the MORTGAGEE shall be allowed a sum equivalent to twenty percent (20%) of all amounts due, but in no case less than TEN THOUSAND PESOS (P10,000.00) as attorney's fees, and reimbursement of all expenses in such litigation or foreclosure, said sum to be considered part of the principal secured by this Mortgagor.' (Exhibit '5'; pp. 11-12, Record)

"Upon request of Almeda, the 20% attorney's fees provided under the contract was reduced to 15%. (Exhibit "16"; pp. 11-12, Record)

"On November 20, 1974 or exactly one (1) year and eight (8) months after he paid his obligation without any protest, Almeda instituted this action now subject of the present petition praying for the return of the attorney's fees he paid, on the ground that the collection of the same by SSS 'was unwarranted and erroneous, if not illegal, not only because the foreclosure proceedings were discontinued, but also because the provision of the real estate mortgage on the payment of attorney's fee is unconscionable, outrageous, and oppressive." (par. 10, Complainant; p. 3, Record)

"The action was instituted in Mamburao, Occidental Mindoro, docketed as Civil Case No. R-309, obviously to harass SSS and to put it to more expense. It is to be noted that the previous case (Civil Case No. 9967) was filed in Pasig, Rizal (now Metro Manila).

"SSS's objection on the ground of improper venue was denied by the lower court. To assure expeditious resolution of the case, SSS opted not to elevate the incident for review. Just the same, the litigation below still took eleven (11) years, from 1974 when the complaint was filed to 1985 when the decision in question was rendered.

"In its decision, the lower court ruled that the amount of attorney's fees equivalent to 15% of the amount of total indebtedness collected by SSS 'was excessive and unreasonable' and ordered as follows:

'(a)

Declaring the sum of P281,784.61 collected as attorney's fees by defendant from plaintiffs to be excessive and unreasonable;

'(b)

Reducing such attorney's fees from P281,784.61 to P93,938.20 which the Court finds to be the reasonable amount under the circumstances;

'(c)

Ordering the defendant to return to plaintiffs the sum of P187,846.41 representing the excess payment made by the latter to the former; and

'(d)

Dismissing the parties' respective claim and counterclaim for damages." (p. 8, Annex 'B')." (pp. 153-157, Rollo)

Petitioner SSS appealed to the Intermediate Appellate Court, now Court of Appeals, imputing the following assignments of error:

"I

THE LOWER COURT ERRED IN HOLDING THAT UNDER THE FACTS OBTAINING IN THE CASE, THE AMOUNT OF ATTORNEY'S FEES EQUIVALENT TO 15% OF THE TOTAL INDEBTEDNESS IS EXCESSIVE AND UNREASONABLE.

"II

THE LOWER COURT ERRED IN HOLDING THAT APPELLEES WERE NOT IN ESTOPPEL." (p. 6, Memorandum for Respondents; p. 157, Rollo)

The Court of Appeals affirmed the decision of the trial court. (Annex "A" of Petition)

The following are the issues:

"I. Whether or not attorney's fees at the rate of 15% are excessive and unreasonable.

"II. Whether or not respondents are in estoppel." (p. 158, Rollo)

Respondents contend that since the petitioner initiated foreclosure proceedings extra-judicially, the amount charged is excessive. They cited the case of Mambulaw Lumber Co. vs. Philippine National Bank, et al. L-22973, 22 SCRA 359 where We ruled "In determining the compensation of an attorney, the following circumstances should be considered: the amount and character of the services rendered, the responsibility imposed, the amount of money or the value of the property affected by the controversy, or involved in the employment, the skill and experience called for in the performance of the services, the professional standing of the attorney, x x. The agreement (in the mortgage providing attorney's fee) is perhaps fair enough in case the foreclosure proceeding is prosecuted judicially but, surely, it is unreasonable when, as in this case, the mortgage was foreclosed

extra-judicially. x x x." It is to be assumed though, that the said branch attorney of the PNB made a study of the case before deciding to file the petition for foreclosure, but even with this in mind, we believe the amount of P5,821.34 is far too excessive a fee for such services. Considering the above circumstances, it is our considered opinion that the amount of P1,000.00 would be more than sufficient to compensate the work aforementioned."

Petitioner, however argues that the Mambulaw case is not applicable here. As stated by the Solicitor General in his memorandum, "petitioner was haled to court by respondents twice. Aside from the present case (which took eleven (11) years of litigation below) respondents had also engaged appellant in a protracted legal battle "on account of the properties herein mortgaged." (Exhibit "5"; p. 11, Record) Counting from the first action (Civil Case No. 9967) instituted by respondents, petitioner has been enmeshed in a protracted legal battle for a period of twenty (20) years now with respondents.

It is relevant to note that the first action (Civil Case No. 9967) was brought about by respondents' own deliberate disregard of the terms and conditions of the loan agreement. As ruled in that case by the Court of Appeals in CA-G.R. No. 44009-R, respondents committed "substantial and fundamental breach of the loan agreement." This Court affirmed the Court of Appeals decision by dismissing Almeda's petition for review in G.R. No. L-37628.

Clearly therefore, a violation of paragraph 18 has been committed, to wit: "18. That should the x x x MORTGAGEE in any manner and for any reason be involved in any litigation on account of the properties herein mortgaged, x x x the MORTGAGEE shall be allowed a sum equivalent to twenty (20%) of all amounts due, x x x as attorney's fees." The case cited had no judicial proceeding prior to the extrajudicial foreclosure proceedings.

The attorney's fees however in this case are not strictly the attorney's fees recoverable as between attorney and client spoken of and regulated by the Rules of Court. Rather, the attorney's fees here are in the nature of liquidated damages and the stipulation therefor is aptly called a penal clause. It has been said that so long as such stipulation does not contravene law, good morals, good customs, public order or public policy, it is strictly binding upon respondents. (*Polytrade Corporation v. Blanco*, 30 SCRA 187)

Article 2227 of the Civil Code provides: "Liquidated damages, whether intended as an indemnity or a penalty, shall be equitably reduced if they are iniquitous or unconscionable." But the liquidated damages provided for in said paragraph 18 is not unconscionable. It should be remembered that the actual charge was originally twenty (20%) percent. It was reduced to fifteen (15) percent upon request of the respondents. In addition, in the case of *Polytrade*, supra, the rate allowed was 25%; in *Santiago v. Dimayuga*, 3 SCRA 919 (1961), 20%; in *Cosmopolitan Insurance Co., Inc. v. Reyes*, 15 SCRA 258 (1965) 15%; and in *Vda. de Reyes v. Court of Appeals*, 116 SCRA 607 (1982) 15%.

Anent the first issue therefore, We hold that the attorney's fees at the rate of 15% are in excess and reasonable under the circumstances.

With regard to the issue of whether or not respondents were in estoppel. We believe they were in estoppel. As correctly found by the Solicitor General, "when respondents negotiated for the reduction of the attorney's fees, they acquiesced to the stipulation therefor and cannot now question its validity. It is undisputed that respondents requested merely for a reduction of the attorney's fees. (Exhibit 16; p. 276, Record) In a Resolution No. 286, SSS approved respondents' request and reduced the attorney's fees from 20% to 15% (id). Respondents thereafter paid without protest the total obligation including attorney's fees equivalent to 15%. The claim of respondent Ponciano Almeda that he verbally protested the collection of attorney's fees is belied by SSS Resolution No. 286 (supra) which shows that Almeda merely requested the reduction of attorney's fees. Between Almeda's testimony, which is obviously self-serving, and Resolution No. 286, which is a public document, the latter certainly carries greater probative value.

WHEREFORE, premises considered, the decision of the then Intermediate Appellate Court, now Court of Appeals is hereby SET ASIDE, and the complaint of the private respondents is hereby, DISMISSED.

SO ORDERED.

Melencio-Herrera, (Chairman), Sarmiento, and Regalado, JJ., concur.

Padilla, J., took no part; handled cases against private respondent, while in active law practice.

[*] Penned by Justice Coquia and concurred in by Justices Castro-Bartolome and Ejercito.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.