

MYRON C. PAPA, AS SPECIAL ADMINISTRATOR OF THE ESTATE OF THE LATE ANGELA MONTENEGRO BUTTE, PETITIONER, VS. MAURA M. ALONZO, PURITA M. ONGKIKO AND FRANCISCA A. MONTENEGRO, AND AR...

G.R. No. 79318. June 27, 1991

Ponente: PADILLA, J.

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PADILLA, J.:

In this petition for review on certiorari, petitioner assails the decision*** of the Court of Appeals, dated 22 July 1987, rendered in CA-G.R. CV No. 02270, affirming two (2) orders**** of the Regional Trial Court of Echague, Isabela, Branch XXIV, dated 5 August 1983[1] and 7 November 1983,[2] which fixed the attorney's fees, subject of this case, in the amount of P100,000.00.

The records of this case show the following antecedent facts:

1. On 4 March 1974, a complaint (for: annulment of title and reconveyance of a parcel of agricultural land consisting of 122.3011 hectares in Cordon, Isabela, covered by OCT No. P-5617 in the name of Angela M. Butte) was filed before the Court of First Instance of Isabela, docketed as Civil Case No. V-168, against Ramon Papa, Jr., the special administrator of the estate of the said deceased Butte; that herein private respondent Arturo Alafriz was then engaged as counsel for Ramon Papa, Jr.[3]
2. In the letter-agreement dated 4 April 1974, Ramon Papa, Jr. agreed to pay respondent Alafriz and Associates upon the conclusion of the case "20% of the property (sic)" under litigation as the attorney's fees;[4] said agreement states as follows:

"We ask that we be paid an initial retainer of P7,500.00 and that upon conclusion of the case, we will charge as our professional fees 20% of the property, including services before the Court of Appeals if taken on appeal, provided all expenses by way of trans-portion, transcript of stenographic notes, legal fees of the Court, etc., shall be for your account."[5]

3. On 10 December 1977, the lower court rendered a decision dismissing the complaint (in CV No. V-168) and restoring possession of the land to the estate of Angela M. Butte (now represented by petitioner Myron C. Papa as the new special administrator, having substituted Ramon Papa, Jr. after the latter's death).[6]
4. Under date of 27 March 1978, the law firm of respondent Alafriz made of record before the lower court the lien for professional services rendered to the estate of Angela Butte;[7] that the said recording was granted by the court a quo in its order dated 19 April 1978.[8]
5. On 18 April 1978, respondent Alafriz filed a petition before the lower court seeking the payment of professional fees based on the letter-agreement dated 4 April 1974, manifesting that the current value of the property could not be less than P400,000.00.[9] In the order dated 12 June 1978, the court a quo granted the parties therein a period of not more than sixty (60) days within which to notify the court of the result of whatever agreement/settlement they may arrive at regarding the attorney's fees being claimed by the former

counsel of the estate (now herein private respondent Alafriz).[10]

6. Under date of 4 February 1980, the parties entered into an agreement on the matter of attorney's fees due and payable to the law firm of Alafriz and Associates in the various cases handled by the same for the estate of Angela Butte, the said agreement being entitled "Stipulation on attorney's fees due Arturo A. Alafriz for, professional services rendered the estate of Angela M. Butte." This stipulation was filed with the Court of First Instance of Rizal, Quezon City, Branch IX, in Special Proceedings No. Q-17910, entitled "Testate Estate of Angela M. Butte, Myron C. Papa, Executor" and was approved by the said court, acting as the probate court, on 7 April 1980.[11] As to the attorney's fees in Civil Case No. V-168, the stipulation provides:

"COME NOW the parties in the above-entitled proceeding and to this Honorable Court respectfully submit the following stipulation with respect to fees due the claimant, Atty. Arturo A. Alafriz, for professional services rendered to the Estate, object of his claim dated July 3, 1978:

Nature of Claim

Attorney's Fees

(C)

Civil Case No. V-168, entitled

(C-1)

20% of the net value or pro?

Maura V. Alonzo, et al. vs. Ramon

ceeds i.e., after any (and)

Papa, Jr. (substituted by Myron

all expenses, of the 122.3011

C. Papa), before the Court of First

hectares covered by OCT No.

Instance of Isabela. Final judgment

P-5617, unless claimant opts to

was rendered on December 10,

have segregated 20% of the

1977 in favor of the Estate of

entire area, all expenses for the

Angela M. Butte, for 122.3011 has

subdivision at his expense.

of land in Cordon, Isabela, covered

by OCT No. P-5617." [12]

7. When petitioner Myron C. Papa did not pay attorney's fees to private respondent Alafriz (as the former counsel of the estate of Butte), the latter filed with the court a quo (in CV No. V-168) a motion dated 16 June 1983, to fix the amount of attorney's fees on the basis of the stipulation, and to issue the corresponding writ of execution.[13]

8. In the order dated 5 August 1983 (rendered in CV No. V-168), the lower court fixed the attorney's fees claimed by the law firm of private respondent Alafriz, in the amount of P100,000.00, and ordered the issuance of the corresponding writ of execution to enforce the claim for attorney's fees.[14] In the order dated 7 November 1983, the lower court denied the motion for reconsideration of the order of 5 August 1983, filed by Myron C. Papa; that the court a quo, however, recalled and set aside that portion of the earlier order directing the issuance of a writ of execution, and ordered implementation only upon the finality of the said order.[15]

9. On appeal by petitioner (docketed CA-G.R. CV No. 02270), respondent appellate court rendered the decision (now assailed) dated 22 July 1987 affirming the two (2) orders of the court a quo dated 5 August and 7 November 1983.

In the present recourse, petitioner raises the following issues:[16]

“1) Whether or not, the stipulation of the parties fixing the attorney's fees of private respondent to (sic) 20% of the net value or proceeds, i.e., after any and all expenses, which was duly approved by the probate court, shall prevail;

“2) Or whether the motion of the claimant (private respondent) to fix attorney's fees, notwithstanding the parties' compromise agreement or stipulation, should be considered;

“3) And whether or not, the decision of respondent Court of Appeals affirming the orders of the lower court dated August 5, 1983 (Annex 'C' hereof), November 7, 1983 (Annex 'D' hereof), enforcing the claim for attorney's fees by issuing the writ of execution, despite the agreement or stipulation of the parties, is a reversible error.”

The respondent appellate court affirmed the questioned orders of the lower court fixing the attorney's fees for private respondent in the sum of P100,000.00, which is 20% of P500,000.00. Petitioner contends that the amount of P500,000.00 used as the basis of the 20% rate, is the gross value of the subject property which, he claims, is contrary to paragraphs (C) and (C-1) of the stipulation dated 4 February 1980 which provides that the basis of the rate is the net value of the property, that is, after "any all (sic) expenses" incurred in relation thereto have been deducted from the gross value.

We hold for the private respondent.

Settled is the rule that when the terms of a contract are clear and leave no doubt as to the intention of the contracting parties, then the literal meaning of the stipulations shall control. It is also settled rule that in order to ascertain the intention of the parties, their contemporaneous and subsequent acts shall be principally considered.[17]

There is no question in this case that the compromise contained in the stipulation dated 4 February 1980, not being contrary to law, public order, public policy, morals or good customs, is a valid contract between the herein parties.[18] The terms of paragraphs (C) and (C-1) of said stipulation are quite clear, hence, the literal meaning thereof should control.

Under the stipulation, there are two (2) options by which the attorney's fees shall be paid -- first, payment in sum of money at the rate of 20% of the net value, meaning, net proceeds of the subject property; or second, by acquiring 20% of the total area of the said property, all expenses for the subdivision thereof to be borne by respondent Alafritz. The terms of said provisions clearly give to private respondent the choice as to the mode or manner of payment of his attorney's fees.

There is no question that private respondent has chosen the first option. The dispute centers on the interpretation or application of the first part of paragraph (C-1) which provides that the attorney's fees for the services rendered in handling Civil Case No. V-168 shall be 20% of net value of the subject property, "net value" being explained as value after all expenses that may have been incurred by reason of such property, shall have been deducted from the value of the property.

The lower court in its order dated 5 August 1983, as affirmed by respondent Court of Appeals, placed the value of the subject property at P500,000.00 taking into consideration the past valuation of the said property, its location and area, and the fact that such assessment was never controverted by petitioner Myron C. Papa.[19] The court a quo charged the 20% attorney's fees against the said value.

In this petition, petitioner does not question the valuation of the property at P500,000.00. But he asserts that the sum of P500,000.00 is a gross value, not net value. He claims that to arrive at the net value, expenses for the payment of taxes, agent's commission, attorney's fees of lawyers of the estate, administration expenses incurred

by the estate and fees over said land, as well as any other expenses should first be deducted from the value of the property;^[20] and that, therefore, the amount of the attorney's fees could be determined only at the time of the distribution or closure of the estate.^[21]

Thus, the main question is whether the lower court, as well as respondent Court of Appeals, correctly used the amount of P500,000.00 as the basis of the 20% attorney's fees of private respondent.

We answer in the affirmative.

In affirming that the 20% attorney's fees may be based on the property value of P500,000.00, respondent Court of Appeals, in its assailed decision, disagreed with the interpretation of the petitioner that the attorney's fees of respondent Alafritz should be paid only after all the obligations against the estate of Angela M. Butte, including debts, are first fully paid. It stated that,

"The time of payment of the attorney's fee as stipulated is 'upon conclusion of the case', meaning Civil Case No. V-168 for annulment of title and reconveyance, not the proceedings for the settlement of the estate of Angela M. Butte. There is nothing in the agreement that would even remotely suggest that the 20% shall be taken from the net residue or distributive shares of the heirs. If appellant's interpretation of the stipulation on attorney's fees were to be followed to its logical conclusion, the attorney's fees of Alafritz & Associates will not be paid until all the obligations against the estate, including the debts, are first paid, in which case, the amount said counsel may recover will depend to a certain extent on the residue of the estate. So that if nothing of the estate remains after the payment of all its obligations, the lawyers will get nothing for their professional services. Such interpretation is not sanctioned by either the letter or spirit of the stipulation."²¹

We agree with the foregoing observation of the respondent court that paragraph (C-1) means that the payment of the 20% attorney's fees shall be made upon the conclusion of Civil Case No. V-168, and that said attorney's fees are not to be taken only from the net residue of the estate or distributive shares of the heirs in connection with the estate proceedings in Special Proceedings No. Q-17910.^[22]

Under the letter-agreement dated 4 April 1974, it is agreed that the attorney's fees shall be "20% of the property (sic)", and that this shall be paid "upon conclusion of the case." It is noted that Civil Case No. V-168, where the attorney's fees are claimed, was filed in March 1974, and that the decision therein was rendered (in favor of the estate of Butte) in December 1977; that in April 1978 the lower court made of record the lien for professional services rendered by private respondent Alafritz in said case; that in February 1980, paragraphs (C) and (C-1) were agreed upon, which stipulation was approved by the probate court in April 1980. It is thus reasonable to assume that when private respondent agreed in February 1980 to attorney's fees of 20% of the net value, he actually meant 20% of the value of the property, as agreed as early as April 1974. Besides, the right to such attorney's fees had already vested as early as December 1977 when Civil Case No. V-168 was concluded in favor of the Butte estate, private respondent's client. Moreover, assuming that the value of the property has to be reduced by expenses in connection therewith, as observed however by the court *quo*^[23] the records of this case do not show any allegation on the part of the petitioner as to any expense incurred regarding the subject property.

Considering that, at the initial stage of the proceedings in Civil Case No. V-168, it was agreed that the payment of the attorney's fees shall be "upon the conclusion of the case" (per letter dated 4 April 1974), and taking into account that the decision in said case was rendered in December 1977 (or almost fourteen [14] years ago), more than reasonable time from the conclusion of Civil Case No. V-168 has lapsed, and yet, petitioner has failed to show the expenses to be deducted from the value of the subject property. It seems but fair to conclude that petitioner is no longer presenting expenses in relation to the property. Therefore, the payment of attorney's fees claimed by respondent Alafritz, became due and demandable upon the conclusion of the litigation in Civil Case No. V-168, or within a reasonable time thereafter and in accordance with the 20% of value of the property, agreed

in April 1974. The demandability of the obligation to pay attorney's fees in Civil Case No. V-168 became even more compelling when the probate court in Sp. Proc. No. Q-17910 approved the stipulation dated 4 February 1980.

All told, the intention of the parties in the case at bar is quite clear to the effect that the 20% attorney's fees shall be paid not upon the conclusion of the estate proceedings in Special Proceedings No. Q-17910, but upon the conclusion of Civil Case No. V-168 wherein respondent's services were rendered, and that the basis of the 20% attorney's fees shall be the value of the property. Assuming that the value has to be reduced by expenses relating to the property as expressed in the stipulation of 4 February 1980, petitioner has not presented any expenses for a period of almost fourteen (14) long years from the termination of Civil Case No. V-168. Consequently, the sum of P500,000.00 as the value of the property appears to have been correctly used as the basis of the 20% attorney's fees for services rendered by private respondent in said Civil Case No. V-168.

WHEREFORE, the Petition is DENIED. The decision of the respondent Court of Appeals, dated 22 July 1987, rendered in CA-G.R. CV. No. 02270, affirming the two (2) orders of the Regional Trial Court of Echague, Isabela, Branch XXIV, dated 5 August 1983 and 7 November 1983, issued in Civil Case No. V-168, is hereby AFFIRMED. Without pronouncement as to costs.

SO ORDERED.

Melencio-Herrera, (Chairman), Paras, and Regalado, JJ., concur.
Sarmiento, J., on leave.

* Original records, pp. 111 and 347

** Ibid., p. 1

*** Penned by Justice Santiago M. Kapunan; concurred in by Justices Reynato S. Puno, and Alfredo Marigomen (Rollo, p. 29).

**** Penned by Judge Procoro J. Donato.

[1] Rollo, pp. 39-42

[2] Rollo, pp. 44-45

[3] Rollo, p. 22

[4] Rollo, p. 22

[5] Rollo, p. 28

[6] Rollo, p. 23

[7] Rollo, p. 35 and 39

[8] Rollo, p. 39

[9] Rollo, p. 23 and 39

[10] Rollo, p. 40

[11] Rollo, pp. 23, 32-34, and 40-41

[12] Rollo, pp. 23, 33, and 40-41

[13] Rollo, pp. 23, and 37-38

[14] Rollo, pp. 11, 21, 24 and 39

[15] Rollo, p. 45

[16] Rollo, pp. 12-13

[17] Sy vs. Court of Appeals, G.R. No. 58100, July 31, 1984, 131 SCRA 116

[18] Pasay City Government vs. CFI of Manila, G.R. No. L-32162, September 28, 1984, 132 SCRA 156

[19] Rollo, p. 41

[20] Rollo, p. 15

[21] Rollo, p. 27

21 Rollo, p. 28

[22] Section 1, Rule 90 of the Rules of Court reads:

"SECTION 1. When order for distribution of residue made. - When the debts, funeral charges, and expenses of administration, the allowance to the widow, and inheritance tax, if any, chargeable to the estate in accordance with law, have been paid, the court, on the application of the executor, or administrator, or of a person interested in the estate, and after hearing upon notice, shall assign the residue of the estate to the persons entitled to the same, naming them and the proportions, or parts, 'to which each is entitled, x x x.'"

[23] Rollo, p. 44

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