

DATU SAMAD MANGELEN, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, PEDRO HABALUYAS AND HABALUYAS ENTERPRISES, INC., RESPONDENTS.

G.R. No. 88954. October 29, 1992

Ponente: DAVIDE, JR., J.

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DAVIDE, JR., J.:

Assailed in this petition for review is the Resolution dated 12 July 1989 of the public respondent Court of Appeals, in CA-G.R. CV No. 04585,[1] reversing its previous Decision therein of 30 January 1989[2] which affirmed in toto the 15 August 1984 Decision of Branch 2 of the Regional Trial Court (RTC) of Manila in Civil Case No. 84-22306 entitled DATU SAMAD MANGELEN versus HABALUYAS ENTERPRISES, INC., and PEDRO J. HABALUYAS.[3] The dispositive portion of the RTC Decision reads:

"WHEREFORE, judgment is hereby rendered as follows:

1. Ordering defendants to pay, jointly and severally, the plaintiff the sum of P600,000.00, plus interest thereon at the rate of 12% per annum from the date of formal demand on May 25, 1983, until the same is fully paid; and
2. Ordering the same defendants to pay plaintiff, jointly and severally, the additional amount of P50,000.00 as moral damages; another P10,000.00 as exemplary damages; and the amount of P100,000.00 as attorney's fees.

Defendants are further ordered to pay the costs of this suit.

SO ORDERED."[4]

Civil Case No. 84-22306 involved an action for the recovery of the amount of P600,000.00 which defendant, now private respondent Habaluyas Enterprises, Inc., represented by its President, private respondent Pedro Habaluyas, bound itself to pay plaintiff, now petitioner, by virtue of a Compromise Agreement.

Instead of filing an Answer within the reglementary period, private respondents submitted a motion to dismiss the case on the ground of improper venue, which the trial court denied in its Order of 24 February 1984. The private respondents then filed a supplemental motion to dismiss, dated 9 March 1984, alleging as ground therefor the pendency of another case in the Regional Trial Court of Quezon City. This was followed, on 28 March 1984, by a second supplemental motion to dismiss -- amplifying on the ground of *lis pendens* -- and reply to the opposition to the first supplemental motion to dismiss. Both supplemental motions were denied by the trial court in its Order of 4 April 1984. On 11 April 1984, private respondents filed an urgent motion to reconsider said order which was likewise denied by the court on 30 May 1984. Although they received a copy of the denial order on 5 June 1984, private respondents still did not file any answer to the complaint. Consequently, on 22 June 1984, petitioner filed a motion to declare defendants in default and to be allowed to present evidence *ex-parte*, which the trial court granted in its 25 June 1984 Order. Pursuant thereto, petitioner presented his evidence *ex-parte* on 16 July 1984.[5]

On 24 July 1984, defendants filed a motion to set aside the order of default and to hold in abeyance further proceedings on the ground that they had filed with the then Intermediate Appellate Court on 12 July 1984 a petition for certiorari raising the issues of improper venue, lack of jurisdiction and *litis pendencia*. That case was docketed as AC-G.R. No. 03742.[6]

On 27 July 1984, after considering in open court the said motion, and petitioner's opposition thereto and in view of the absence of a restraining order from the Intermediate Appellate Court enjoining the trial court from proceeding with the case, the latter issued an order denying the defendants' motion to set aside the order of default. The order[7] reads:

"For lack of merit, as the Court considers defendants were grossly and inexcusably negligent, for it appears that defendants had until June 19, 1984 within which to submit their responsive pleading but they failed to do so; that the Petition for Certiorari (for (sic) which this Court has no copy up to the present) which they allegedly filed with the Honorable Intermediate Appellate Court was made supposedly on July 12, 1984 only; that defendants knew as early as July 2, 1984 of the Order of Default and of the ex-parte presentation of plaintiff's evidence scheduled on July 16th, yet defendants did not show up last July 16th, let alone did (sic) anything, defendants' Motion to Set Aside Order of Default and To Hold in Abeyance Further Proceedings is hereby denied."

Thereafter, on 15 August 1984, the trial court rendered a decision in favor of the petitioner based on the evidence submitted ex-parte; the dispositive portion of said decision was quoted earlier. It made the following findings of fact:

"Plaintiff (Datu Samad Mangelen) has a logging concession consisting of 3,000 hectares, under O.T.L. No. 463-123165 located somewhere in Datalblao, Columbio, Sultan Kudarat. This logging concession of the plaintiff, the extent and boundaries of which are as indicated in the red lines named 'Datu Samad Mangelen', marked Exhibit L-1, appears to be included in the logging concession located in the same general vicinity under T.L.A. 229 with an aggregate area of 50,000 hectares, more or less, supposedly granted defendant Habaluyas Enterprises, Inc. (Exh. L).

On November 2, 1981, the plaintiff, by means of a letter addressed to the President of the Philippines, requested that his logging concession be segregated from that awarded the defendant Habaluyas Enterprises, Inc. (Exh. A). The matter was referred by the President to then Minister Peña of the Ministry of Natural Resources (Exh. B). Thereafter, acting in behalf of Minister Peña, Special Assistant Felipe Corleto of said Ministry endorsed the matter to Director Edmundo Cortes of the Bureau of Forest Development, Central Office (Exh. C). Upon receipt by the latter government functionary of the papers, he immediately directed the Regional Director of the same Bureau at Cotabato City to advise Habaluyas Enterprises to stop its present logging operation inside the area awarded to the plaintiff until such time as the requested petition shall had (sic) been acted upon. Meanwhile, the parties were directed to appear in a conference on January 5, 1983, to be presided over by an official of the bureau (Exh. D). The meeting was thereafter reset to February 2, 1983, as there had been no complete proposal as yet for settlement. On the latter date, defendant Atty. Habaluyas appeared with a proposed Compromise Agreement. After studying the matter, plaintiff suggested, and his suggestion was heeded, that the consideration for the Compromise Agreement would be the waiver on the part of the plaintiff of whatever rights he may have over his logging concession in favor of the defendants (Exh. E-2). The Compromise Agreement was thus finalized between the parties, more specially (sic) the plaintiff as the Second Party and the defendant Pedro (sic) Habaluyas Enterprises, Inc. represented by its President, defendant Pedro Habaluyas, as the First Party. The pertinent text of their agreement, embodied in Exhibit E, is as follows:

'NOW, THEREFORE, in pursuance hereof and as gesture (sic) of gratitude and good faith, the FIRST PARTY has agree (sic), as he hereby agrees, to give to the SECOND PARTY the total amount of SIX THOUSAND (sic)

(P600,000.00) PESOS, one fourth of the amount of P150,000.00 (sic) shall be paid and/or delivered on February 28, 1983; P150,000.00 on March 30, 1983 and the remaining balance of P300,000.00 shall be paid in three (3) equal installment (sic) with a 30-day interval, beginning April 30, 1983.

For this (sic) part, and as a manifestation of reciprocity, the SECOND PARTY agreed, as he hereby agrees, to continue helping in the maintenance of peace and order in the concession area of the FIRST PARTY and that he and his heirs and successors-in-interests (sic) are hereby relinquishing or waiving whatever right they may have over a portion of the area granted to the FIRST PARTY by the government under TLA No. 229;

That finally, this compromise agreement shall be subject to the approval of the Bureau of Forest Development.'

Parenthetically, as already stated, the Compromise Agreement was executed by the parties in the presence of witnesses and duly sworn to, and approved by, Asst. Director Doroteo U. Antonio of the Bureau of Forest Development.

Despite the compromise, defendant refused to issue checks in compliance therewith, thus prompting plaintiff to complain to the Bureau of Forest Development. Said office, thru its Assistant Director Antonio, responded by directing compliance by defendants of (sic) the Compromise Agreement as shown in the Order marked Exhibit F. The said Order also directed therein respondent, herein defendant Habaluyas Enterprises, Inc., to refrain from continuing with the logging operation inside the area complained of by the herein plaintiff.

A consequence of the issuance of the Order marked as Exhibit F was the act of the defendant in later issuing two (2) post-dated checks in favor of the plaintiff. The first was dated April 11, 1983, for the amount of P150,000.00, payable to Mayor Samad Mangelen which is an Allied Banking Corporation check and under the signature of defendant Atty. Pedro Habaluyas (Exh. G), while the second was dated April 24, 1983, for the same amount, payee, maker (sic) and with the same bank (Exh. H).

On or about April 28, 1983, defendant Atty. Habaluyas advised plaintiff, thru the Barangay Captain of the place where plaintiff's logging concession is situated, to inform the plaintiff that the two (2) checks that were issued last April 15, 1983, were to be encashed or negotiated (Ipasok) on May 2, 1983 (Exh. I). When the two checks were negotiated to (sic) the bank concerned, both of the checks were dishonored on the ground of insufficiency of funds of the maker thereof. Demands were thereafter made on the defendants to make good the two checks, but despite these verbal demands, there was no favorable response on the part of the defendants. Plaintiff was thus constrained to write a formal demand letter dated May 25, 1983, giving the defendants fifteen (15) days from receipt thereof within which to make good the two checks that had bounced (Exh. J). The original of said letter was received on May 25, 1983 by the defendants (Exh. G-1). Not still (sic) heeding the demands of the plaintiff, the latter was compelled to initiate two criminal complaints for Violation of Batas Pambansa Bilang 22, otherwise known as the Bouncing Check Law, against defendant Pedro Habaluyas. The necessary Informations were filed with the Makati Branch of the Regional Trial Court, National Capital Judicial Region, where they are now pending (Exhs. K and K-1).

The present action was filed by the plaintiff to recover the entire amount of P600,000.00 that defendant promised to pay him per the Compromise Agreement, plus interest from date of demand until fully satisfied; moral damages due to the embarrassment, sleepless nights and other sufferings of the plaintiff resulting from defendants' obstinate refusal to comply with their undertaking under the Compromise Agreement (TSN, pages 17 to 17, July 16, 1984 Hearing); attorney's fees of P100,000.00 which plaintiff had promised to pay his counsel, of which 50% had already been paid; and the premium payments on the Indemnity Bond and the Sheriff's Fees and other litigation expenses incurred by the plaintiff in the prosecution of this case."[8]

Not satisfied with the aforesaid judgment, private respondents interposed an appeal before the Intermediate Appellate Court. During the pendency of the appeal, specifically on 7 January 1985, the Fourth Division of said Court dismissed the petition of private respondents in AC-G.R. No. 03742. Their subsequent petition for review

under Rule 45 of the Rules of Court to set aside the dismissal was denied by this Court in the Resolution of 3 July 1985; the motion to reconsider the same was likewise denied by this Court on 9 October 1985.[9]

In the Appellants' Brief filed with the public respondent, private respondents impute upon the trial court the commission of the following errors:

I. x x x IN FINDING THE DEFENDANTS GROSSLY AND INEXCUSABLY NEGLIGENT AND DECLARING THEM IN DEFAULT AND RECEIVING EVIDENCE EX-PARTE.

II. x x x IN FINDING THE DEFENDANTS LIABLE TO THE PLAINTIFF IN THE AMOUNT OF P600,000.00 AS THE REAL AND TRUE CONSIDERATION FOR THE LATTER'S RELINQUISHMENT OF WHATEVER RIGHTS HE HAS UNDER O.T.L. 453-123165.

III. x x x IN FINDING THE DEFENDANTS LIABLE FOR MORAL DAMAGES IN THE AMOUNT OF P50,000.00.

IV. x x x IN FINDING THE DEFENDANTS TO BE IN BAD FAITH HENCE LIABLE FOR EXEMPLARY DAMAGES IN THE AMOUNT OF P10,000.00.

V. x x x IN AWARDING ATTORNEY'S FEES IN THE SUM OF P100,000.00."[10]

After reviewing the records of the case, public respondent promulgated on 30 January 1989 a ten-page decision the dispositive portion of which reads:

"WHEREFORE, being in accordance with the law and the evidence, the judgment appealed from is affirmed in toto. With costs against appellants.

SO ORDERED."[11]

In said decision, public respondent practically adopted the factual findings of the trial court, and explicitly declared that the latter simply acted "in accordance with the provisions of the rules of court"[12] and committed no reversible error "in declaring the defendants (sic) in default, in allowing plaintiff to adduce evidence ex parte, and in finding the defendants-appellants grossly and inexcusably negligent (sic)"[13] in view of the latter's failure to make a timely motion for reconsideration of the order of default; appear in court on 16 July 1984 when petitioner was scheduled to present his evidence ex parte; and furnish the trial court with a copy of their petition for certiorari filed with the appellate court within a reasonable time. It was only on 6 August 1984 -- long after the case had been submitted for decision -- that the same was filed.

Anent the substantive issues raised on appeal, public respondent ruled out any merit in the defendants-appellants' (private respondents) contention that the consideration for the payment of the P600,000.00 pursuant to the Compromise Agreement was not the waiver of petitioner's rights over the logging concession, but the maintenance of peace and order in the area covered thereunder. Finding the terms of the Compromise Agreement between the parties "too clear as to obviate any room for a contrary interpretation"[14], public respondent found the appellants to have been properly adjudged liable for the P600,000.00, together with the interest thereon, and for moral and exemplary damages for deliberately evading the clear and indubitable provisions of the agreement.

Still unable to accept the verdict, defendants-appellants filed a motion to reconsider the decision, reiterating therein the procedural and substantive issues raised in their Brief, particularly on the interpretation of the consideration contemplated in the Compromise Agreement. Petitioner filed an opposition thereto.

On 12 July 1989, public respondent promulgated a resolution reversing its earlier decision of 30 January 1989. Because of its brevity, the resolution is quoted in full:

"It appearing (sic) from the motion for reconsideration that defendants-appellants have good and valid defenses as amplified in their motion for reconsideration and their reply to Opposition which in fairness to the lower court, We will not point out, since this is a default case so that any decision of the lower court will not in any way be preempted in the interest of justice.

WHEREFORE, the motion for reconsideration of the decision of this Court promulgated on January 30, 1989 is hereby granted and the said decision is hereby reversed. Let this case be remanded to the lower court for further proceedings.

SO ORDERED."[15]

Hence, this recourse under Rule 45 of the Rules of Court.

It is alleged in the petition that the petitioner (plaintiff-appellee therein) died during the pendency of the appeal. The appropriate motion for substitution of parties was filed but public respondent failed to take any action thereon until rendering its 30 January decision wherein it allowed the substitution of plaintiff-appellee by his widow, Bai Salilang T. Mangelen.[16] Respondents have not raised any issue on this point. In the interest of justice, therefore, the widow shall be deemed to have been substituted for the petitioner and, for all legal intents and purposes, shall be considered as the petitioner in this case.

Petitioner contends that:

"(a) The Court of Appeals seriously erred in remanding the case to the Lower Court for further proceedings;

(b) The Court of Appeals seriously erred in finding that herein respondents have a valid and good defense."[17]

On 8 January 1990, after the private respondents filed their Comment and the petitioner submitted his Reply thereto, this Court resolved to give due course to the petition and required the parties to submit their respective memoranda,[18] which they subsequently complied with.

There is merit in the petition.

The challenged decision leaves much to be desired. What was filed before the public respondent was an ordinary appeal from a judgment by default. This necessitated a full-blown decision taking into account the five (5) assigned errors which touch on both substantive and procedural matters. Accordingly, public respondent promulgated its 30 January 1989 decision following a meticulous review of the proceedings had before the trial court and a careful re-appraisal of the evidence adduced before it. Thus, that decision faithfully complied with Section 14, Article VIII of the Constitution which provides that no decision shall be rendered by any court without expressing therein clearly and distinctly the facts of the law on which it is based. Now, if such decision had to be completely overturned or set aside, upon the filing of a motion for reconsideration, in a subsequent action via a resolution or modified decision, such resolution or decision should likewise state the factual and legal foundation relied upon. The reason is obvious: aside from being required by the Constitution, the court should be able to justify such a sudden change of course; it must be able to convincingly explain the taking back of its solemn conclusions and pronouncements in the earlier decision. In the instant case, the public respondent miserably failed to do so; this is reflected in the quoted resolution of 12 July 1989 which leaves in limbo the trial court's challenged decision because it is not the latter which is reversed but rather the public respondent's own decision of 30 January 1989. Public respondent simply restored the parties to the status quo obtaining prior to 30 January 1989. Clearly, therefore, an amended decision on the appeal proper or on the merits of the decision of the trial court would be in order.

There is more to the confusion. Public respondent ordered the remand of the case to the trial court for further

proceedings, thereby placing the latter in a quandary as to what it was supposed to do. The trial court would not know what "further proceedings" means as the public respondent neither nullified the order of default nor set aside the evidence received ex-parte. Thus, the former would be hard put at finding a satisfactory solution to the problem presented for its resolution.

And now to the errors assigned in this instant petition. The principal issues raised revolve around (a) the correctness or incorrectness of the trial court's declaring private respondents in default for failure to answer the complaint within the reglementary period in view of the pendency of the motion to dismiss, the first and second supplemental motions to dismiss and the motion for reconsideration, and authorizing the petitioner to present his evidence ex-parte; and (b) the presence or absence of a good and valid defense to warrant the lifting of the default order.

Private respondents admit that they did not file their Answer within the reglementary period, but allege that their failure to do so was not due to gross, inordinate and inexcusable neglect as the omission was the result of the elevation of the issues of *litis pendencia* and jurisdiction to the Court of Appeals via a petition for certiorari. It is averred that at most, they should be faulted for a mere procedural lapse. While this sounds appealing, We cannot subscribe to it. The pleadings disclose facts which, as earlier summarized, clearly reveal respondents' attempt, through different procedural maneuvers, to delay a simple case. First, they filed a motion to dismiss on the sole ground of improper venue. Upon denial of the motion, and without asking for its reconsideration, they filed a so-called supplemental motion to dismiss, this time on the basis of *lis pendens*, a ground already available to them even before the filing of the motion to dismiss because the case pleaded as a bar to the prosecution of petitioner's cause is a complaint which respondents themselves filed. They knew only too well that under Section 2, Rule 9 of the Rules of Court, they had waived the right to avail of this ground by their failure to raise the same in the motion to dismiss. They, however, shrewdly tried to put one over the trial court by denominating their second motion as a supplemental motion; this, of course, is utterly baseless because the original motion had already been denied. To further camouflage the weakness of their position and give a semblance of strength to the supplemental motion, they filed a second supplemental motion to dismiss which, however, merely amplified on the preceding motion. After the denial of the said motions on 4 April 1984, private respondents filed a motion for reconsideration, which the trial court likewise denied on 30 May 1984. Private respondents received a copy of this last order on 5 June 1984. They still refused to file an answer, thus prompting the petitioner to file a motion to declare them in default which was granted on 25 June 1984. If the reason for their failure to file the answer was because they had wanted to file a petition for certiorari with the then Intermediate Appellate Court, they should have acted immediately. Yet, as borne out by the records, they opted to take their sweet time, filing that petition only on 12 July 1984. It is obvious that they were unmoved by any sense of urgency to protect their interests. It appears, therefore, that the filing of the petition much later was but part of a well-planned strategy to gain more time to delay the case. If the trial court aborted such strategy, private respondents have only themselves to blame. The trial court acted correctly and in accordance with Section 1, Rule 18 of the Rules of Court in declaring private respondents in default and in authorizing petitioner to present his evidence ex-parte.

In order to set aside an order of default, Section 3, Rule 18 of the Rules of Court must be complied with. It reads:

"SEC. 3. Relief from order of default. -- A party declared in default may at any time after discovery thereof and before judgment file a motion under oath to set aside the order of default upon proper showing that his failure to answer was due to fraud, accident, mistake or excusable neglect and that he has a meritorious defense. In such case the order of default may be set aside on such terms and conditions as the judge may impose in the interest of justice."

In the light of the above narrated circumstances, private respondents cannot take refuge under the allegations of

fraud, accident, mistake or excusable neglect to justify their failure to file the answer. To Our mind, such inaction was due to their obstinate refusal to comply with the mandated procedural requirements.

Thus, whether private respondents had a valid or good defense is entirely irrelevant considering the circumstances obtaining. The public respondent, therefore, gravely erred in "reversing" its decision of 30 January 1989 on the basis of respondents' "good and valid defenses".

Under the aforesaid Section 3, Rule 18 of the Rules of Court, a meritorious defense, which public respondent considers as synonymous to a "good and valid defense," is not the only basis for the lifting of an order of default; it is merely one of two requisites which a party must comply with. The first is the existence of fraud, accident, mistake or excusable neglect. Needless to say, these two requisites must concur. While it is not required of Us to inquire into the nature, character and quality of the defense interposed by private respondents, it should nevertheless be stated here that such a defense relates to the interpretation of the provision in the Compromise Agreement regarding the purpose of the P600,000.00 consideration. Petitioner claims that it is for the waiver of his rights over a portion of a logging concession mentioned in the Compromise Agreement; on the other hand, private respondents claim that it is for the maintenance of peace and order by the petitioner. Both the trial court and the public respondent in its 30 January 1989 decision upheld the theory of the petitioner. In the latter, public respondent even made the following apt observations.

"What may be said of appellants is that they are deliberately evading or sidestepping the clear and indubitable provisions of the Compromise Agreement. From a reading of the above quoted portions of the agreement, it is light as day and subject to no argument that the true and actual consideration for the payment by appellants of the amount of P600,000.00 to appellee is the latter's waiver and relinquishment of whatever rights he may have over a portion of the area supposedly granted as a logging concession to the former. To subscribe to appellants' trend of thinking would be to countenance blackmail and to violate public policy, moral and good customs. x x x." [19]

We are thus unable to see how further proceedings by the trial court could produce a result consistent with the theory of private respondents. Besides, the interpretation of the Compromise Agreement involves a question of law; the remand of the case would thus serve no useful purpose. The granting then of the petition and the reinstatement of the public respondent's 30 January 1989 decision are in order, except that the said decision should be modified insofar as it affirms the awards for moral and exemplary damages and attorney's fees, and holds private respondent Pedro Habaluyas jointly and severally liable with the other private respondent for the amounts adjudged.

The award for moral and exemplary damages is based on the trial court's conclusion that:

"Plaintiff is entitled to moral damages due to defendants' persistent and unreasonable refusal to comply with their undertaking under the Compromise Agreement, thus resulting to (sic) embarrassment (sic), sleepless nights and other sufferings of the plaintiff, things that may have aggravated his present physical condition. Likewise award (sic) of exemplary damages to serve as an example for public good is hereby given, in addition to moral damages, because of the obvious bad faith of defendant (sic) in not complying with their undertakings. The legal support for the award of attorney's fees to the full extent of plaintiff's claim are the provisions, or anyone of them, of paragraphs 1, 2, 5 and 11 of Article 2208 of the Civil Code, even as the extensive efforts being exerted by plaintiff's counsel in protecting the rights of his client not only in this case but in other related criminal and civil cases are being noted. x x x" [20]

We have carefully examined the 15 August 1984 decision of the trial court and the 30 January 1989 decision of the public respondent. Their respective statements of the case reveal nothing about an allegation and prayer in the complaint for the specific amount of moral and exemplary damages sought. Neither do they disclose that the

petitioner testified on, and therefore proved, a specific amount. Such non-disclosure constitutes ample proof that indeed, the complaint did not specify, much less pray, for a specified sum to be awarded as moral damages.

Moreover, the idea of exemplary damages was broached for the first time only in the dispositive portion of the trial court's decision. Section 5, Rule 18 of the Rules of Court provides that judgment entered against a party in default, as in the case of the private respondents, shall not exceed the amount or be different in kind from that prayed for. Consequently, an award of exemplary damages should not have been made since it was not even prayed for. Besides, the complaint is for a breach of contract. Exemplary damages may only be awarded therein if private respondents acted in a wanton, fraudulent, reckless, oppressive or malevolent manner.[21] There is no finding whatsoever on the matter. Also, since no specific amount of moral damages was prayed for, the maximum limit provided for in said Section 5 can in no case be fixed. Thus, the P50,000.00 award is purely arbitrary and speculative.

It may be pointed out that there is a difference between a judgment against a defendant based on evidence presented ex-parte pursuant to a default order and one based on evidence presented ex-parte and against a defendant who had filed an answer but who failed to appear at the hearing. In the former, Section 5 of Rule 18 provides that the judgment against the defendant should not exceed the amount or be different in kind from that prayed for. In the latter, however, the award may exceed the amount or be different in kind from that prayed for.[22]

As regards the attorney's fees, We find the award of P100,000.00 to be unreasonable. The second paragraph of Article 2208 is not applicable since the acts of private respondents did not compel the petitioner to litigate with third persons; moreover, there is no proof presented to show that the petitioner incurred expenses to protect his interest. Besides, the court took into account the services rendered by counsel in other related civil and criminal cases, and not exclusively in Civil Case No. 84-22306. Attorney's fees for such other related cases do not appear to have been alleged and the proof offered is, as summarized by the trial court, limited to the subject civil case. We are of the opinion, and so hold, that an award of P25,000.00 for attorney's fees would be proper and just.

Finally, We find no basis for holding private respondent Pedro Habaluyas jointly and severally liable with private respondent Habaluyas Enterprises, Inc. for the amounts adjudged. The Compromise Agreement was a corporate act of the latter with the former signing merely as its representative. No provision therein makes him solidarily liable with the corporation. Additionally, the liability arising from the obligation is not solidary. There is solidary liability only when the obligation expressly so states, or when the law or the nature of the obligation requires solidarity.[23] The trial court simply cannot write into the Compromise Agreement a stipulation or condition which the parties did not contemplate. It would have been entirely different if petitioner alleged and proved grounds allowing the piercing of the veil of corporate fiction.

WHEREFORE, the Petition is GRANTED. The resolution of public respondent of 12 July 1989 in CA-G.R. CV No. 04585 is SET ASIDE and its Decision of 30 January 1989 is hereby REINSTATED, subject to the modifications above discussed. As modified, the Decision of the trial court of 15 August 1984 in Civil Case No. 84-22306 is affirmed in all respects except that the portion holding private respondent Pedro Habaluyas jointly and severally liable with private respondent Habaluyas Enterprises, Inc. and awarding moral and exemplary damages, is hereby DELETED and SET ASIDE. Furthermore, the award of attorney's fees is hereby reduced to P25,000.00.

No costs.

SO ORDERED.

Gutierrez, Jr., (Chairman), Bidin, Romero, and Melo, JJ., concur.

[1] Rollo, 76.

[2] Id., 25-34.

[3] Per Judge Rosalio A. de Leon. Id., 16-23.

[4] Rollo, 23.

[5] Rollo, 19-20.

[6] Id., 21; 70; 126-127.

[7] Id., 21.

[8] Rollo, 16-19.

[9] Id., 26.

[10] Rollo, 26.

[11] Id., 34.

[12] Rollo, 31.

[13] Id., 29.

[14] Id., 32.

[15] Rollo, 76.

[16] Rollo, 27 (page 3 of the decision).

[17] Id., 7.

[18] Id., 95.

[19] Rollo, 32.

[20] Rollo, 22-23.

[21] Article 2232, Civil Code.

[22] Gochangco vs. Court of First Instance of Negros Occidental, 157 SCRA 40 [1988].

[23] Article 1207, Civil Code.

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