

**LAW FIRM OF RAYMUNDO A. ARMOVIT, PETITIONER, VS. COURT OF APPEALS, JUDGE GENARO C. GINES, PRESI-DING JUDGE OF BRANCH XXVI, REGIONAL TRIAL COURT, FIRST JUDICIAL REGION, SAN FERNA...**

*G.R. No. 90983. September 27, 1991*

Ponente: SARMIENTO, J.

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**SARMIENTO, J.:**

Before the Court is Atty. Raymundo Armovit's claim for attorney's fees against the private respondent.

It appears that Atty. Armovit was engaged as counsel for the private respondent in a complaint to have an extrajudicial foreclosure of certain properties by the Government Service Insurance System declared null and void; that the parties allegedly agreed that the private respondent shall pay P15,000.0 as initial compensation and twenty percent in contingent fees; that after trial, the defunct Court of First Instance rendered judgment annulling foreclosure and ordering the Government Service Insurance System to restructure the private respondent's loan; that thereafter, the System appealed; that on appeal, the Court of Appeals affirmed the decision of the lower court; and that the Appellate Court's judgment has since attained finality.

It also appears that when Atty. Armovit sought execution with the court a quo, he was informed by Romualdo Bengzon, president of the respondent corporation, that the firm had retained the services of Atty. Pacifico Yadao. He was also informed that the company would pay him the agreed compensation and that Atty. Yadao's fees were covered by a separate agreement. The private respondent, however, later ignored his billings and over the phone, directed him allegedly not to take part in the execution proceedings. Forthwith, he sought the entry of an attorney's lien in the records of the case. The lower court allegedly refused to make the entry and on the contrary, issued an order ordering the Philippine National Bank to "release to the custody of Mr. Romualdo F. Bengzon and/or Atty. Pacifico Yadao"[1] the sum of P2,760,000.00 (ordered by the Court of Appeals as rentals payable by the Government Service Insurance System).

Atty. Armovit then moved, apparently for the hearing of his motion to recognize attorney's lien, and thereafter, the trial court issued an order in the tenor as follows:

When this case was called for hearing on the petition to record attorney's charging lien, Attys. Armovit and Aglipay appeared for the petitioners.

Atty. Armovit informed the Court that they are withdrawing the petition considering that they are in the process of amicably settling their differences with the plaintiff, which manifestation was confirmed by Atty. Yadao as well as the plaintiffs, Romualdo Bengson and Brenda Bengson, who are present today.

In view of this development, the petition to record attorney's charging lien, the same being in order and not contrary to law, morals and public policy, as prayed for by Attys. Armovit and Aglipay, it is hereby withdrawn. The parties, therefore, are hereby directed to comply faithfully with their respective obligations.

SO ORDERED.[2]

However, upon the turnover of the money to the private respondent, Mrs. Brenda Bengson (wife of Romualdo Bengzon) delivered to Atty. Armovit the sum of P300,000.00 only. Atty. Armovit protested and demanded the amount of P552,000.00 (twenty percent of P2,760,000.00), for which Mrs. Bengzon made assurances that he will be paid the balance.

On November 4, 1988, however, Atty. Armovit received an order emanating from the trial court in the tenor as follows:

During the hearing on the petition to record attorney's charging lien on October 11, 1988, Attys. Armovit and Aglipay withdrew their petition to record attorney's charging lien, which was duly approved by the Court, after which the Court directed the parties to comply faithfully with their respective obligations.

In compliance with the Order of this Court, the plaintiff submitted a pleading denominated as compliance alleging that petitioner (Atty. Armovit) has already received from the plaintiff the sum of P300,000.00, Philippine Currency, as and by way of attorney's fees. With the receipt by the petitioner from the plaintiff of this amount, the latter has faithfully complied with its obligation.

WHEREFORE, the Order of this Court dated October 11, 1988 approving the withdrawal of the petition to record attorney's charging lien, on motion of the petitioner, is now final.

SO ORDERED.[3]

Reconsideration having been denied, Atty. Armovit went to the Court of Appeals on a petition for certiorari and prohibition.

On August 25, 1989, the Court of Appeals[4] rendered judgment dismissing the petition. Reconsideration having been likewise denied by the Appellate Court, Atty. Armovit instituted the instant appeal.

Shortly thereafter, we required the private respondent to comment.

The private respondent did not materially traverse Atty. Armovit's chronicle of events but added: that the private respondent hired the petitioner after the Government Service Insurance System had answered and that it was Atty. Benjamin Bernardino who prepared the complaint; that for his appearances, Atty. Armovit was paid a total of P108,000.00, not to mention "beach resort accommodations";[5] that Atty. Armovit did not inform the private respondent that the court had rendered judgment which they would have appealed; that they lost an appeal on account of Atty. Armovit's indiscretion; that they forthwith engaged the services of another lawyer, Atty. Yadao; and that it was the latter who prepared the brief in the Court of Appeals (on GSIS's appeal).

The private respondent also alleged that it opposed Atty. Armovit's effort to record his attorney's lien on grounds of alleged nullity of the retainer agreement, Atty. Armovit's negligence, and because of excessive fees demanded.

The private respondent also insisted that the retainer agreement was signed by only one of seven directors, and it could not bind the corporation. Atty. Armovit, in any event, had also been allegedly more than sufficiently compensated.

The private respondent alleged that Atty. Armovit had been paid P300,000.00 — an amount approved by the court, and an amount he accepted and for which he is allegedly estopped from claiming a higher amount. The order of the court has the effect of *res judicata*, the private respondent claimed, as well as a compromise agreement which is immediately executory.

The disposition of the Court of Appeals was that since the receipt evidencing payment to Atty. Armovit of the

sum of P300,000.00 "was without any qualification as 'advance' or 'partial' or 'incomplete'," [6] the intention of the parties was that it was full payment. The Appellate Court also noted Atty. Armovit's withdrawal of his motion to record attorney's lien and figured that Atty. Armovit was satisfied with the payment of P300,000.00.

The only issue is whether or not Atty. Armovit is entitled to the sum of P252,000.00 more, in addition to the sum of P300,000.00 already paid him by the private respondent.

There is no question that the parties had agreed on a compensation as follows:

- a) P15,000.00 by way of acceptance and study fee, payable within five (5) days from date;
- b) 20% contingent fee computed on the value to be recovered by favorable judgment in the cases; and
- c) the execution and signing of a final retainer agreement complete with all necessary details. [7]

(While the parties' agreement speaks of "a final retainer agreement" [8] to be executed later, it does not appear that the parties did enter into a "final" agreement thereafter.)

The private respondent's version however is that while it may be true that the agreed compensation was twenty percent of all recoveries, the parties later agreed on a compromise sum approved allegedly by the trial court, per its Order of October 11, 1988.

The Court is inclined to believe that Atty. Armovit never agreed on the compromise sum of P300,000.00. It is true that he did agree to withdraw his motion to annotate attorney's lien, but because the parties were "in the process of amicably settling their differences" [9] and not because Atty. Armovit had agreed to accept a lower amount as full payment. There is nothing, on top of that, in Atty. Armovit's manifestation that would suggest that he was accepting the sum of P300,000.00 as agreed final payment, other than the fact that an agreement was supposedly certain. We quote:

ATTY. ARMOVIT:

Your Honor, we would like to manifest in Court that we served notice to the counsel of the plaintiff, Bengson Commercial Building, a copy of the petition to record attorney's charging lien, and together with the president of the corporation, Mr. Romualdo Bengson, and his wife, Mrs. Brenda Bengson, we have discussed the problem and we all agreed to settle the matter amicably and as proof, and there is a certainty that this settlement we have in principle agreed upon is an earnest one at this time, this representation is withdrawing his petition to record charging lien.

ATTY. YADAO:

No objection, Your Honor, because we have to agree with Atty. Armovit. I am in full accord with this. [10]

There is nothing there that would indicate Atty. Armovit's willingness to accept, in fact, a lower figure in consideration of his withdrawal of his request to enter attorney's lien. What the Court takes his statement to mean is that he was withdrawing his request on the certainty that the private respondent would pay him the money, presumably, under more becoming circumstances.

The Court does not therefore see how the private respondent can hold Atty. Armovit to have been in estoppel.

The fact that Atty. Armovit did not, after all, accept the sum of P300,000.00 as final compensation is indeed indicated by the behavior of the private respondent, through Mrs. Romualdo Bengson, when she assured Atty. Armovit that the balance was forthcoming. [11] According to Mrs. Bengson, she wished the rest of the Bengsons to witness the final payment and when the occasion was present, wished for a postponement on account of "All Saints Day." [12]

The parties never therefore amended their original agreement, and what appears to the Court is a clear effort on the part of a client, with the apparent approval of the trial court, to renege on a valid agreement with its lawyer.

The Court believes that the trial court, in accepting the private respondent's "compliance" as a final payment of Atty. Armovit's fees, was guilty of a grave abuse of discretion. The private respondent had nothing with which to comply, and the parties, as manifested by Atty. Armovit, were "in the process [merely] of amicably settling their differences."<sup>[13]</sup>

It is apparent furthermore that the trial judge himself was out to deny Atty. Armovit the agreed compensation. In his order of October 4, 1988, he commanded:

The PNB is hereby ordered and directed to release to the custody of Mr. Romualdo F. Bengson and/or Atty. Pacifico Yadao, counsel for the plaintiff, the sum of Two Million Seven Hundred Sixty Thousand Pesos (P2,760,000.00), Philippine Currency for the satisfaction of the rentals of the Bengson Building against the GSIS.<sup>[14]</sup>

in spite of the fact that Atty. Armovit had remained the private respondent's counsel of record. It is fundamental that unless a lawyer has been validly discharged, his authority to act for his client continues and should be recognized by the court.<sup>[15]</sup>

The fact that the receipt evidencing payment by the private respondent of the amount of P300,000.00 "was without any qualification as 'advance' or 'partial' or 'incomplete',"<sup>[16]</sup> as the Court of Appeals noted and the Court of Appeals took to mean "full payment", will not weaken Atty. Armovit's demand for the balance. There is nothing in that receipt that will suggest that it was full payment either, and the fact that Atty. Armovit accepted it does not mean that he was satisfied that it was final payment. The fact of the matter is that the private respondent had assured him that the balance was forthcoming.

The private respondent can not justifiably downplay Atty. Armovit as negligent (for failing to appeal) or his demand for fees excessive (that he had been paid enough). Atty. Armovit, after all, succeeded in obtaining a favorable decision for his client, and although his prayer for various damages were denied, he succeeded in obtaining a substantial award (P1,900,000.00 in unpaid rentals) for his client. On appeal, the Court of Appeals sustained his theory. It should be noted that the private respondent had in fact stood to lose substantial properties on foreclosure — Atty. Armovit not only restored to the private respondent its foreclosed properties, he succeeded in having the private respondent's loans restructured and the Government Service Insurance System pay rentals. No client can ask a better result from a lawyer.

Obviously, the private respondent's effort to downgrade Atty. Armovit's performance is a wild, if not cheap, shot of a client out to evade its obligations to its lawyer. The fact that Atty. Armovit may have been paid substantially (in initial fees) while the case was dragging is no justification for denying him the full amount under their agreement. It has been held that initial fees and fees paid in the progress of litigation are independent of the contingent fees.<sup>[17]</sup>

That the retainer agreement was never approved by the board of the corporation is also a poor excuse because the fact of the matter is that the private respondent did deliver to Atty. Armovit the sum of P300,000.00 in partial payment, and the private respondent can not now deny him the balance by alleging lack of authority of the Bengson spouses.

Contingent fees are valid in this jurisdiction.<sup>[18]</sup> It is true that attorney's fees must at all times be reasonable;<sup>[19]</sup> however, we do not find Atty. Armovit's claim for "twenty percent of all recoveries" to be unreasonable. In the case of *Aro v. Nañawa*,<sup>[20]</sup> decided in 1969, this Court awarded the agreed fees amid the efforts of the client to

deny him fees by terminating his services. In parallel vein, we are upholding Atty. Armovit's claim for P252,000.00 more—pursuant to the contingent fee agreement—amid the private respondent's own endeavors to evade its obligations.

Several times, we have come down hard on erring practitioners. We will not however be slow either, in coming to the rescue of aggrieved brother-lawyers in protecting the integrity of the bar from unscrupulous litigants.

WHEREFORE, premises considered, the petition is GRANTED. The private respondent is ORDERED to pay the petitioner the sum of P252,000.00. Costs against the private respondent.

**IT IS SO ORDERED.**

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

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[1] Rollo, 13.

[2] Id., 129.

[3] Id., 130.

[4] Kalalo, Felipe, Jr.; Pronove, Ricardo and Victor, Luis, JJ., Concurring.

[5] Rollo, id., 196.

[6] Id., 156.

[7] Id., 28.

[8] Id.

[9] Id., 129.

[10] Id., 192-193.

[11] Id., 15.

[12] Id.

[13] Id., 129.

[14] Id., 13.

[15] In Re: Wenceslao Laureta, March 12, 1987, 148 SCRA 382; Olivares v. Leola, 97 Phil. 253 (1955).

[16] Rollo, id., 156.

[17] Hilado v. David, 84 Phil. 569 (1949).

[18] Canlas v. Court of Appeals, No. 77691, August 8, 1988, 164 SCRA 160; Director of Lands v. Ababa, No. L-26096, February 27, 1979, 88 SCRA 513.

[19] CIVIL CODE, Art. 2208.

[20] No. L-24163, April 28, 1969, 27 SCRA 1090. In this case, the Court also held that certiorari is proper.

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