

ERNESTO F. ROLDAN AND MARIETTA A. ROLDAN, PETITIONERS, VS. THE COURT OF APPEALS AND COMMERCIAL CREDIT CORPORATION OF DAVAO, RESPONDENTS.

G.R. No. 97006. February 09, 1993

Ponente: NOCON, J.

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NOCON, J.:

Petitioners spouses Ernesto and Marietta Roldan claim that the attorney's fees claimed by the private respondent, Commercial Credit Corporation of Davao City, being gargantuan, exorbitant and unconscionable, should be proportionately reduced on the basis of quantum meruit. Private respondent Commercial Credit Corporation of Davao demurs and states that the amount is reasonable or conscionable considering the difficulty it has encountered in collecting from the petitioners.

Culled from private respondent's statement of facts are the following antecedents of this case. On June 7, 1971, petitioners purchased fifteen (15) trucks on installment basis for P1,250,000.00 from private respondent. Since they could not fully pay their obligation, private respondent sued them on November 21, 1981. On July 28, 1987, the trial court rendered its decision, which in its dispositive portion reads as follows:

"IN VIEW WHEREOF, judgment is hereby rendered ordering the defendants to pay in solidum the plaintiff the following sums:

1. Five Hundred Seventy Nine Thousand Five Hundred Sixty Seven Pesos and Thirteen Centavos representing the principal balance with interest at 12% to be computed from November 24, 1981 until fully paid;
2. Twenty Thousand Two Hundred Eighty Five and Forty Three Centavos representing the past due charges as of November 23, 1981 with interest of 12% per annum to be computed from November 24, 1981 until fully paid;
3. One Hundred Ninety Three Thousand One Hundred Sixty Nine Pesos and Seventy Two Centavos representing liquidated damages as of November 23, 1981 with interest of 12% per annum to be computed from November 24, 1981 until fully paid;
4. Attorney's fees equivalent to 25% of the total amount due in favor of the plaintiff;
5. Two Hundred Fifty Pesos and Seventy Five Centavos representing the value of the check which was drawn by the defendant, accepted by the plaintiff and dishonored by the drawee bank.
6. Costs of suit.

SO ORDERED."[2]

Seeking appellate review, the matter was elevated to the Court of Appeals which dismissed petitioners' appeal for lack of merit[3] and so with their Motion for Reconsideration.[4]

Hence, this petition.

Petitioners do not dispute the facts but only that portion of the findings of fact of the trial court, as affirmed by the appellate court on the alleged exorbitant attorney's fees, excessive liquidated damages and usurious interest on the loan.

Settled is the rule, that in petitions for review under Rule 45 of the Rules of Court, only questions of law may be raised since factual findings of the Court of Appeals are deemed conclusive on the Supreme Court subject to certain exceptions.[5]

Thus, the issues raised by petitioners on (1) the alleged lack of basis for liquidated damages imposed as a penalty for litigation as determined by the trial court and (2) the alleged usurious interests rate they were charged on the contract of loan as evidenced by the promissory note has been disposed of by the trial court and the Court of Appeals. Thus, the findings of fact are binding on Us.

The matter, however, of the attorney's fees -- gargantuan, exorbitant and unconscionable as alleged by petitioners -- is what this Court will rule upon.

This is not the first time that the amount of attorney's fees has been questioned. In *Radiowealth Finance Co., Inc. vs. International Corporate Bank*,[6] petitioner Radiowealth questioned the reasonableness of the amount of attorney's fees therein and asked whether this Court has the power to modify the attorney's fees previously agreed upon by the parties under a valid contractual stipulation.

The Court ruled there as follows:

"As a basic premise, the contention of petitioners that this Court may alter, modify or change even an admittedly valid stipulation between the parties regarding attorney's fees is conceded. The high standards of the legal profession as prescribed by law and the Canons of Professional Ethics regulate if not limit the lawyer's freedom in fixing his professional fees. The moment he takes his oath, ready to undertake his duties first, as a practitioner in the exercise of his profession, and second, as an officer of the court in the administration of justice, the lawyer submits himself to the authority of the court. It becomes axiomatic therefore, that power to determine the reasonableness or the unconscionable character of attorney's fees stipulated by the parties is a matter falling within the regulatory prerogative of the courts (*Panay Electric Co., Inc. vs. Court of Appeals*, 119 SCRA 456 [1982]; *De Santos vs. City of Manila*, 45 SCRA 409 [1972]; *Rolando vs. Luz*, 34 SCRA 337 [1970]; *Cruz vs. Court of Industrial Relations*, 8 SCRA 826 [1963]). And this Court has consistently ruled that even with the presence of an agreement between the parties, the court may nevertheless reduce attorney's fees though fixed in the contract when the amount thereof appears to be unconscionable or unreasonable (*Borcena vs. Intermediate Appellate Court*, 147 SCRA 111 [1987]; *Mutual Paper Inc. vs. Eastern Scott Paper Co.*, 110 SCRA 481 [1981]; *Gorospe vs. Gochango*, 106 Phil. 425 [1959]; *Turner vs. Casabar*, 65 Phil. 490 [1938]; *F.M. Yap Tico & Co. vs. Alejano*, 53 Phil. 986 [1929]). For the law recognizes the validity of stipulations included in documents such as negotiable instruments and mortgages with respect to attorney's fees in the form of penalty provided that they are not unreasonable or unconscionable (*Philippine Engineering Co. vs. Green*, 48 Phil. 466)."[7] (Italics supplied)

Before We proceed any further, it is worthwhile recalling what *Polytrade vs. Blanco*[8] has to say on the matter of attorney's fees, to wit:

"To be borne in mind is that the attorneys' fees here provided is not, strictly speaking, the attorneys' fees recoverable as between attorney and client spoken of and regulated by the Rules of Court. Rather, the attorneys' 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, morals, or public order, it is strictly binding upon defendant. The attorney's fees so provided are awarded in favor of the litigant, not his counsel. It is the

litigant, not counsel, who is the judgment creditor entitled to enforce the judgment by execution."[9](Italic supplied)

Private respondent's counsel must have forgotten this as evident from the following exchange of letters between the parties, as follows:

1. Letter of Atty. Ta-asan to Atty. Cabarroguis dated November 16, 1990:[10]

"ATTY. HONESTO A. CABARROGUIS

Hacalex Bldg., Brokenshire

Complex, A. Pichon St.,

Davao City, Philippines

Dear Atty. Cabarroguis,

Greetings:

This is with reference to CA-G.R. CV No. 15939 entitled Commercial Credit Corporation of Davao vs. Ernesto F. Roldan and Marietta A. Roldan. My client, Mr. & Mrs. Roldan, have sought my intercession instructing me to present to you a proposal to amicably settle the above entitled case.

My client wishes to make the following proposal:

x x x x x x x x

2. To pay P50,000.00 pesos cash downpayment and balance with real properties located in M'lang, Cotabato, Philippines, to be paid to the plaintiff's counsel for his attorney's fees and other legal fees.

x x x x x x x x

It is my client's fervent wish and desire that your client will favorably consider our proposal to satisfy their respective claims and interests.

x x x x x x x x

2. Reply of Atty. Cabarroguis of even date:[11]

"Atty. R. Taa-san

Brgly Bldg. Davao City

Re: Your letter (Roldan Case) can we meet over coffee tomorrow at JALTAN Coffee Shop along A. Pichon St? Please confirm.

Regards.

H Cabarroguis

11-16-90"

3. Letter of Atty. Ta-asan to petitioner Marietta A. Roldan dated November 17, 1990:[12]

"MRS. MARIETTA A. ROLDAN

MacArthur Highway, Matina,

Davao City, Philippines

Dear Mrs. Roldan,

I wish to inform you of the outcome of my conference with Atty. Honesto A. Cabarroguis, legal counsel of the Commercial Credit Corporation (CCC), last Saturday November 17, 1990. During the conference, we made known to Atty. Cabarroguis your previous proposal which I laid down in writing. However, Atty. Cabarroguis suggested some modifications. He has made the following proposal:

x x x x x x x x

2. The attorney's fees of Atty. Cabarroguis has not been altered. He is to be paid the full amount of P577,320.20 with P100,000.00 as initial downpayment. The remaining balance can be paid in installments. You can make a proposal as to when you can fully satisfy his fees provided that you put up either a surety bond or real property located in Davao City commensurate to the amount of your obligation;"

x x x x x x x x

4. Letter of Atty. Cabarroguis to Atty. Ta-asan dated November 29, 1990:[13]

"Atty. Rodolfo Ta-asan, Jr.

Davao City

Re: CCC of Davao vs. Ernesto Roldan, et. als.

Dear Atty. Ta-asan,

Further to our conference yesterday afternoon and previous ones in connection with captioned case, I just came back from the office of the Register of Deeds of Davao City where I checked the partial list of 334-titles in the name of Marietta A. Roldan which was furnished me by said office and which I showed you yesterday.

x x x x x x x x

May I suggest that the amount of One Hundred Thousand (P100,000.00) which is ready and available be paid to me immediately by your clients, in partial payment of my fees from them and from my client. In turn, I could do a lot to help them get the waivers they are requesting from my clients through me. However, with all of these lots available in Davao City to be levied upon on execution or to be the subject-matter of your proposed settlement, we shall in the meantime, disregard their offer of lots in M'lang to settle an otherwise favorable judgment already by the Court of Appeals."

x x x x x x x x

Private respondent's counsel's glaring cupidity is beyond Us. It could be that private respondent might have contracted with its counsel that the latter would get the 25% attorney's fees stipulated in the promissory note as his attorney's fees.[14] The record however, does not show such an agreement. But even if this were so, it is no excuse for Atty. Cabarroguis, private respondent's counsel, to act in such a manner as to evoke disgust from non-members of the Bar.

A lawyer is to uphold the integrity and dignity of the legal profession[15] and one who acts like a middleman always out on grabs for what he can get certainly lessens the dignity of the legal profession.

The trial court found:

"4. That one of the terms of Promissory Note is that in case of litigation, 'xx the makers and indorsers shall in addition pay 25% of the amount due as attorney's fees and 33 1/3 more of the principal due and unpaid as liquidated damages xx' (Exh. "F-2")"

Twenty-five (25%) percent of the balance of the Promissory Note due which the trial court pegged at P579,576.13

is $P579,576.13 \times 0.25 = P144,894.03$, which amount would be due the private respondent -- NOT its counsel -- as attorney's fees. It is clear that the liquidated damages and other charges are not to be included for computation of the attorney's fees. The reason why respondent's counsel came up with his attorney's fees of P577,320.20 is that he erroneously added the liquidated damages and other charges and interests due to the balance of the promissory note to get the total due to which he applied the 25% stipulated fee.

WHEREFORE, in view of the foregoing, this Petition is partially granted. The private respondent is hereby AWARDED attorney's fees in the amount of ONE HUNDRED FORTY FOUR THOUSAND, EIGHT HUNDRED NINETY FOUR PESOS AND THREE CENTAVOS (P144,894.03). The other awards of the trial court, as affirmed by the respondent Court of Appeals, are hereby RETAINED.
SO ORDERED.

Narvasa, C.J., (Chairman), Feliciano, Regalado, and Campos, Jr., JJ., concur.

[1] Unknown. Inscribed on the walls of the University of Bologna, Italy in the Thirtieth Century. M. Frances McNamara, 2,000 Famous Legal Quotations, Aqueduct Books, Rochester, New York, U.S.A., 1967; p. 216.

[2] Decision in Civil Case No. 14,837, entitled "Commercial Credit Corporation of Davao vs. Roldan," dated July 28, 1987, penned by Judge Jesus V. Quitain, Regional Trial Court, 11th Judicial Region, Branch 15, Davao City, pp. 15-16; Rollo, pp. 72-73.

[3] Commercial Credit Corporation of Davao vs. Roldan, CA-G.R. CV No. 15939, September 28, 1990, Rasul, J., ponente; Herrera, M. and Bengzon, JJ., concurring; Rollo, pp. 20-27.

[4] Ibid., January 7, 1991; Rasul, J., ponente, Herrera, M. and Bengzon, JJ., concurring; Rollo, p. 28.

[5] Tongson vs. Court of Appeals, G.R. No. 77104, November 6, 1992, pp. 4, 5, citing Saludo vs. CA, G.R. No. 95536, March 23, 1991 and numerous cases.

[6] 182 SCRA 862.

[7] Id., pp. 868-689.

[8] 30 SCRA 187.

[9] Id., p. 192.

[10] Id., pp. 81-82.

[11] Id., p. 105.

[12] Id., pp. 107-108.

[13] Id., pp. 109-110.

[14] In Planters Products, Inc. vs. Court of Appeals, 193 SCRA 563, private respondent Philippine Commercial and International Bank assigned to its lawyer the right to collect the attorney's fees due and collectible from petitioner Planters therein under the trust receipt agreements involved in said case.

[15] Canon 7, Code of Professional Responsibility.

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