

## FIRST DIVISION

[ G.R. No. 223254, December 01, 2016 ]

**ROSALIE SY AYSON, PETITIONER, VS. FIL-ESTATE PROPERTIES, INC., AND FAIRWAYS AND BLUEWATER RESORT AND COUNTRY CLUB, INC., RESPONDENT.**

[GR. NO. 223269]

**FIL-ESTATE PROPERTIES, INC., AND FAIRWAYS & BLUEWATER RESORT & COUNTRY CLUB, INC., PETITIONERS, VS. ROSALIE SY AYSON, RESPONDENT.**

### D E C I S I O N

**PERLAS-BERNABE, J.:**

Assailed in these consolidated petitions for review on *certiorari*<sup>[1]</sup> are the Decision<sup>[2]</sup> dated March 1, 2013 and the Resolution<sup>[3]</sup> dated February 22, 2016 of the Court of Appeals (CA) in CA-G.R. CV. No. 03010, which affirmed with modification the Decision<sup>[4]</sup> dated March 1, 2004 and the Order<sup>[5]</sup> dated February 6, 2009 of the Regional Trial Court of Kalibo, Aklan, Branch 9 (RTC) in Civil Case No. 5627 and, accordingly, ordered Fil-Estate Properties, Inc. (Fil-Estate) and Fairways & Bluewater Resort & Country Club, Inc. (Fairways) to pay Rosalie Sy Ayson (Ayson), *inter alia*, the amount of US\$40,000.00 or its Philippine Peso equivalent, representing the value of the land subject of litigation.

#### The Facts

The instant case arose from a Complaint<sup>[6]</sup> for recovery of possession and damages filed by Ayson against Fil-Estate and Fairways before the RTC, alleging that she is the registered owner of a 1,000-square meter parcel of land, more or less, located in Yapak, Malay, Aklan, *i.e.*, the northwestern area of Boracay Island, denominated as Lot No. 14-S and covered by Transfer Certificate of Title (TCT) No. T-24562<sup>[7]</sup> (subject land). Sometime in June 1997, she discovered that Fil-Estate and Fairways illegally entered into the subject land and included it in the construction of its golf course without her prior consent and authorization. Despite receipt of a Notice to Cease and Desist<sup>[8]</sup> from Ayson, Fil-Estate and Fairways continued their encroachment and development of the subject land making it now a part of the entire golf course. Thus, she was constrained to file the instant complaint.<sup>[9]</sup>

In their defense,<sup>[10]</sup> Fil-Estate and Fairways maintain that the subject land was formerly owned by one Divina Marte Villanueva (Villanueva), with whom they entered into a Joint Venture Agreement (JVA) for the development of the Fairways and Bluewater Resort Golf and Country Club. Fil-Estate and Fairways explained that

prior to the JVA, Villanueva sold portions of her property to various buyers, including Ayson, with the caveat that such portions may be used in a development project. In this light, Villanueva allegedly convinced her buyers to agree to a land swap should such development push through. When the project commenced, the other buyers readily agreed to said land swaps. Unfortunately, talks with Ayson stalled, prompting Fil-Estate and Fairways to "exclude" development work on the subject land. Nevertheless, Fil-Estate and Fairways commenced construction on the subject land, allegedly relying in good faith upon Villanueva's assurance that her other former buyers, *e.g.*, Ayson, would eventually agree with the land swap agreements. According to Fil-Estate and Fairways, Ayson only signified her objection to the inclusion of the subject land in the development project when construction was almost finished. Fil-Estate and Fairways further averred that they tried to remedy the situation by negotiating with Ayson, but to no avail.<sup>[11]</sup>

### **The RTC Ruling**

In a Decision<sup>[12]</sup> dated March 1, 2004, the RTC ruled in Ayson's favor and, accordingly, ordered Fil-Estate and Fairways to pay her the following amounts: (a) US\$100,000.00 or its Philippine Peso equivalent, representing the value of the subject land, plus P50,000.00 monthly rentals for the use and occupancy of said land starting December 1997 until the aforesaid value has been fully paid; (b) P900,000.00 as actual damages; (c) P1,000,000.00 as moral damages; (d) P1,000,000.00 as exemplary damages; (e) P300,000.00 as attorney's fees and other litigation expenses; and (j) the costs of suit.<sup>[13]</sup>

The RTC found that contrary to Fil-Estate and Fairways' assertions, Ayson never agreed to any future land swapping arrangement with Villanueva, considering that Ayson already paid Villanueva the amount of US\$20,000.00 representing the purchase price of the subject land way back April 1994 (albeit the Deed of Sale<sup>[14]</sup> was only executed on April 15, 1996), while the construction of the golf course was only conceptualized sometime in early 1995. As such, it was error for Fil-Estate and Fairways to merely rely on Villanueva's assurance that she will be able to convince her buyers to enter into a land swapping arrangement, especially considering that the title to the same was already in Ayson's name. In this regard, the RTC opined that Fil-Estate and Fairways should have first secured permission from Ayson to enter into the subject land before proceeding with the construction of the golf course. Thus, the RTC concluded that Fil-Estate and Fairways did not exercise the ordinary diligence of a good father of a family before entering into the subject land, which caused damage to Ayson for which they should be liable. The foregoing notwithstanding, the RTC no longer ordered the return of the subject land to Ayson, ratiocinating that its exclusion from Fil-Estate and Fairways' development project at this late stage would lead to major re-planning, re-routing, and relocation works, which in turn, would massively prejudice the Fil-Estate and Fairways' economic position, and affect its integrity and reputation. Instead, the RTC ordered Fil-Estate and Fairways to pay Ayson the purported reasonable acquisition cost multiplied by five, in view of the rapid increase of real estate properties in Boracay Island for the past few years.<sup>[15]</sup>

Fil-Estate and Fairways moved for reconsideration,<sup>[16]</sup> which was, however, denied

in an Order<sup>[17]</sup> dated February 6, 2009. Aggrieved, they appealed<sup>[18]</sup> to the CA.

### **The CA Ruling**

In a Decision<sup>[19]</sup> dated March 1, 2013, the CA affirmed the RTC ruling with modification reducing the award of damages as follows: (a) US\$40,000.00 or its Philippine Peso equivalent, representing the value of the subject land, plus P1,000.00 monthly rentals for the use and occupancy of said land starting December 1997 until the aforesaid value has been fully paid; (b) P52,666.00 plus US\$4,316.06 or its Philippine Peso equivalent as actual damages; (c) P500,000.00 as moral damages; (d) P300,000.00 as exemplary damages; and (e) P200,000.00 as attorney's fees and other litigation expenses.<sup>[20]</sup>

The CA held that despite recognizing Ayson as the registered owner of the subject land, Fil-Estate and Fairways still entered into the same and included it in its golf course development project without the former's prior knowledge and consent. In this regard, it held that Fil-Estate and Fairways should not have relied on Villanueva's assurances that she would secure Ayson's acquiescence to a land swap arrangement, but instead, exercised due diligence and prudence in taking steps to ensure that Ayson indeed agreed to the inclusion of her property in the golf course development project. Further, the CA agreed with the RTC that the subject land should no longer be returned to Ayson, and that Fil-Estate and Fairways should pay her its value instead. However, absent any competent evidence on the valuation of the subject land, the CA fixed its value at US\$40,000.00, or the amount double its acquisition cost, and likewise reduced the rent to P1,000.00 per month. In the same vein, the CA found it appropriate to reduce the other awards of damages to Ayson in keeping with the evidence adduced in the case as well as the prevailing circumstances.<sup>[21]</sup>

Dissatisfied, both parties separately moved for reconsideration<sup>[22]</sup> assailing the valuation of the subject land as well as the other monetary awards. Fil-Estate and Fairways likewise assailed the CA's failure to expressly state in its Decision that upon full payment of the value of the subject land, Ayson should surrender her title over the same and that a new title be issued in their names.<sup>[23]</sup>

In a Resolution<sup>[24]</sup> dated February 22, 2016, the CA denied the parties' respective motions, holding that: (a) in pegging the value of the subject land, it took judicial notice of the rapid increase and appreciation of the value of the real estate properties in Boracay Island for the past years; (b) the amounts fixed representing the awards for damages are correct, fair, and reasonable under the circumstances; and (c) there is no more necessity to expressly declare that upon Fil-Estate and Fairways' payment of the value of the subject land, Ayson should surrender her title over the same and a new title must be issued in their names, as such is a necessary consequence of its Decision.<sup>[25]</sup>

Hence, these consolidated petitions.

### **The Issues Before the Court**

At the outset, the Court notes that the issues raised in the instant petition largely pertain only to the propriety of the awards of moral damages, exemplary damages, and attorney's fees in Ayson's favor and the corresponding amounts thereof, as well as the correctness of the valuation of the subject land at US\$40,000.00 and the monthly rental therefor. As such, the Court shall limit its discussion on the foregoing and shall no longer delve on other matters not raised before it.

Essentially, Fil-Estate and Fairways contend that there is no basis to award moral damages, exemplary damages, and attorney's fees to Ayson as they were in good faith in relying on Villanueva's assurances that Ayson will agree on the land swap arrangement before they proceeded with the golf course development project. They likewise contend that Ayson never objected to the construction on the subject land until after the golf course had been completed.<sup>[26]</sup> As to the valuation of the subject land, Fil-Estate and Fairways argue that the CA's appraisal of the same at US\$40,000.00 (or even that of the RTC at US\$100,000.00) does not have any basis as no Estate and Fairways insist that the value of the subject land is only P100,000.00, as stated in the Deed of Sale<sup>[27]</sup> executed by Ayson and Villanueva.<sup>[28]</sup>

On the other hand, Ayson disputes the reduction of the amounts of moral damages, exemplary damages, and attorney's fees awarded to her, justifying the RTC's higher awards as just, proper, and equitable in light of Fil-Estate's gross and utter bad faith in entering into her property and making it a part of its golf course without her knowledge and consent.<sup>[29]</sup> In the same vein, Ayson assails CA's reduced valuation of the subject land as well as the monthly rent therefor, maintaining that the RTC correctly took judicial notice of the rapid valuation of properties in Boracay Island.<sup>[30]</sup>

### **The Court's Ruling**

The petition is partly meritorious.

#### **I.**

To recapitulate, both the RTC and the CA found that Ayson is the undisputed owner of the subject land, as evidenced by TCT No. T-24562. Despite such knowledge, Fil-Estate and Fairways nevertheless chose to rely on Villanueva's empty assurances that she will be able to convince Ayson to agree on a land swap arrangement; and thereafter, proceeded to enter the subject land and introduce improvements thereon. The courts *a quo* further found that since such acts were without Ayson's knowledge and consent, she, thus: (a) suffered sleepless nights and mental anguish knowing that the property she and her husband had invested for their future retirement had been utilized by Fil-Estate and Fairways for their own sake; and (b) had to seek legal remedies to vindicate her rights. Thus, both lower courts concluded that Fil-Estate and Fairways' acts were done in bad faith and resulted in injury to Ayson; hence, they are liable for, *inter alia*, moral damages, exemplary damages, and attorney's fees.

Verily, the finding of Fil-Estate and Fairways' bad faith<sup>[31]</sup> as well as their liability for moral damages,<sup>[32]</sup> exemplary damages,<sup>[33]</sup> and attorney's fees,<sup>[34]</sup> are all factual matters which are not within the ambit of the instant petition for review on *certiorari* under Rule 45 of the Rules of Court. In this regard, it has long been settled that factual findings of the trial court, affirmed by the CA, are final and conclusive and may not be reviewed on appeal,<sup>[35]</sup> save for certain exceptions,<sup>[36]</sup> which Fil-Estate and Fairways failed to show in this case - at least regarding this issue.

Relatedly, the CA correctly reduced the awards for moral damages, exemplary damages, and attorney's fees to P500,000.00, P300,000.00, and P200,000.00, respectively, in light of the evidence adduced as well as the prevailing circumstances of the instant case. It must be stressed that "[m]oral damages are not meant to be punitive but are designed to compensate and alleviate the physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar harm unjustly caused to a person."<sup>[37]</sup> Similarly, exemplary damages are imposed "by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages" and are awarded "only if the guilty party acted in a wanton, fraudulent, reckless, oppressive or malevolent manner."<sup>[38]</sup> Lastly, attorney's fees should be reasonable in all cases where an award thereof is warranted under the circumstances.<sup>[39]</sup>

In sum, Fil-Estate and Fairways' liability for moral damages, exemplary damages, and attorney's fees, as well as the amounts thereof, must be upheld in light of the surrounding circumstances of this case. In addition, a legal interest at the rate of six percent (6%) per annum should be imposed on all monetary awards to Ayson from the time of the finality of this Decision until fully paid.<sup>[40]</sup>

## II.

Anent the valuation of the subject land, the RTC deemed the amount of US\$100,000.00 or its Philippine Peso equivalent as its reasonable value "considering the rapid increase or appreciation of the value of real estate properties in Boracay Island for the past 10 years."<sup>[41]</sup> On the other hand, the CA pegged its value at US\$40,000.00, or the amount double the purchase price, "in consideration and after proper adjustment of the [RTC's] valuation which took judicial notice of the rapid increase and appreciation of the value of real estate properties in Boracay Island for the past years and considering further that the property is located in the prime tourist destination."<sup>[42]</sup>

After a judicious perusal of the records, the Court views such valuations as grounded entirely on speculation, surmises, or conjectures as there was no evidence presented by the parties supporting the same. In fact, even the CA acknowledged the absence of any piece of evidence that would provide a competent valuation of the subject land.<sup>[43]</sup> Undoubtedly, such valuations, including the amount of monthly rentals that Fil-Estate and Fairways must pay Ayson for the use of the subject land, must be struck down.