

FIRST DIVISION

[G. R. No. 190957, June 05, 2013]

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
PETITIONER, VS. APAC MARKETING CORPORATION,
REPRESENTED BY CESAR M. ONG, JR., RESPONDENTS.**

D E C I S I O N

SERENO, C.J.:

In this Petition for Review on Certiorari under Rule 45 of the Revised Rules on Civil Procedures, the primordial issue to be resolved is whether the Court of Appeals (CA) [1] correctly affirmed the court *a quo* [2] in holding petitioner liable to respondent for attorney's fees.

The Antecedent Facts

Considering that there are no factual issues involved, as the Court of Appeals (CA) adopted the findings of fact of the Regional Trial Court (RTC) of Quezon City, Branch 96, we hereby adopt the CA's findings, as follows:

The present case involves a simple purchase transaction between defendant-appellant Philippine National Construction Corporation (PNCC), represented by defendants-appellants Rogelio Espiritu and Rolando Macasaet, and plaintiff-appellee APAC, represented by Cesar M. Ong, Jr., involving crushed basalt rock delivered by plaintiff-appellee to defendant-appellant PNCC.

On August 17, 1999, plaintiff-appellee filed with the trial court a complaint against defendants-appellees for collection of sum of money with damages, alleging that (i) in March 1998, defendants-appellants engaged the services of plaintiff-appellee by buying aggregates materials from plaintiff-appellee, for which the latter had delivered and supplied good quality crushed basalt rock; (ii) the parties had initially agreed on the terms of payment, whereby defendants-appellants would issue the check corresponding to the value of the materials to be delivered, or "Check Before Delivery," but prior to the implementation of the said payment agreement, defendants-appellants requested from plaintiff-appellee a 30-day term from the delivery date within which to pay, which plaintiff-appellee accepted; and (iii) after making deliveries pursuant to the purchase orders and despite demands by plaintiff-appellee, defendants-appellants failed and refused to pay and settle their overdue accounts. The complaint prayed for payment of the amount of ₱ 782,296.80 "plus legal interest at the rate of not less than 6% monthly, to start in April, 1999 until the full obligation is completely settled and paid," among others.

On November 16, 1999, defendants-appellants filed a motion to dismiss, alleging that the complaint was premature considering that defendant-appellant PNCC had been faithfully paying its obligations to plaintiff-appellee, as can be seen from the substantial reduction of its overdue account as of August 1999.

In an Order dated January 17, 2000, the trial court denied the motion to dismiss. Thus, defendants-appellants filed their answer, alleging that the obligation of defendant-appellant PNCC was only with respect to the balance of the principal obligation that had not been fully paid which, based on the latest liquidation report, amounted to only ₱474,095.92.

After the submission of the respective pre-trial briefs of the parties, trial was held. However, only plaintiff-appellee presented its evidence. For their repeated failure to attend the hearings, defendants-appellants were deemed to have waived the presentation of their evidence.

On July 10, 2006, the trial court rendered a Decision, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff, ordering defendants jointly and solidarily to pay:

1. P782,296.80 as actual damages;
2. P50,000.00 as attorney's fees, plus P3,000.00 per court appearance;
3. Cost of suit.

SO ORDERED.

Defendants-appellants filed a motion for reconsideration, alleging that during the pendency of the case, the principal obligation was fully paid and hence, the award by the trial court of actual damages in the amount of ₱782,269.80 was without factual and legal bases.

In an Order dated October 6, 2006, the trial court considered defendants-appellants' claim of full payment of the principal obligation, but still it ordered them to pay legal interest of twelve per cent (12%) per annum. Thus:

"WHEREFORE, the decision dated July 10, 2006 is hereby modified, by ordering defendants jointly and solidarily to pay plaintiff as follows, to wit:

1. P220,234.083
2. P50,000.00 as attorney's fees, plus P3,000.00 per court appearance;
3. Cost of Suit.

SO ORDERED.”

Defendants-appellants filed the present appeal which is premised on the following assignment of errors:

- I. The regional Trial court gravely erred in awarding interest at the rate of 12% per annum amounting to ₱220,234.083 and attorney’s fees in favor of plaintiff-appellee.
- II. The regional trial court gravely erred in holding defendants Rogelio espiritu and Rolando macasaet jointly and solidarily liable with defendant PNCC.

THE RULING OF THE COURT OF APPEALS

On 9 July 2009, the Special Fourth Division of the CA promulgated a Decision^[3] in CA-G.R. CV No. 88827, affirming with modification the assailed Decision of the court *a quo*. The dispositive portion of the CA Decision reads as follows:

WHEREFORE, the appealed Order dated October 6, 2006 is affirmed, subject to the modification that defendant-appellant PNCC is ordered to pay legal interest at six per cent (6%) per annum on the principal obligation, computed from January 8, 1999 until its full payment in January 2001. Defendants-appellants Rogelio Espiritu and Rolando Macasaet are absolved from liability. The Order dated October 6, 2006 is affirmed in all other respects.

On 29 July 2009, herein petitioner filed a Motion for Reconsideration, which raised the lone issue of the propriety of the award of attorney’s fees in favor of respondent.

^[4] It should be noted that in said motion, petitioner fully agreed with the CA Decision imposing 6% legal interest per annum on the principal obligation and absolving Rogelio Espiritu and Rolando Macasaet from any liability as members of the board of directors of PNCC.^[5] Thus, the main focus of the Motion for Reconsideration was on the CA’s affirmation of the court *a quo*’s Decision awarding attorney’s fees in favor of respondent. However, the appellate court’s Former Special Fourth Division denied petitioner’s Motion for Reconsideration in a Resolution dated 18 January 2010.^[6]

THE SOLE ISSUE

Aggrieved, petitioner now assails before us the 9 July 2009 Decision of the CA by raising the sole issue of whether the CA gravely erred in awarding attorney’s fees to respondent.

THE COURT’S RULING

The Petition is impressed with merit.

Article 2208 of the New Civil Code of the Philippines states the policy that should guide the courts when awarding attorney’s fees to a litigant. As a general rule, the parties may stipulate the recovery of attorney’s fees. In the absence on such