

## FIRST DIVISION

[ G.R. No. 171365, October 06, 2010 ]

**ERMELINDA C. MANALOTO, AURORA J. CIFRA, FLORDELIZA J. ARCILLA, LOURDES J. CATALAN, ETHELINDA J. HOLT, BIENVENIDO R. JONGCO, ARTEMIO R. JONGCO, JR. AND JOEL JONGCO, PETITIONERS, VS. ISMAEL VELOSO III, RESPONDENT.**

### D E C I S I O N

**LEONARDO-DE CASTRO, J.:**

Before Us is a Petition for Review on *Certiorari* of the Decision<sup>[1]</sup> dated January 31, 2006 of the Court Appeals in CA-G.R. CV No. 82610, which affirmed with modification the Resolution<sup>[2]</sup> dated September 2, 2003 of Branch 227 of the Regional Trial Court (RTC-Branch 227) of Quezon City in Civil Case No. Q-02-48341.

We partly reproduce below the facts of the case as culled by the Court of Appeals from the records:

This case is an off-shoot of an unlawful detainer case filed by [herein petitioners] Ermelinda C. Manaloto, Aurora J. Cifra, Flordeliza J. Arcilla, Lourdes J. Catalan, Ethelinda J. Holt, Bienvenido R. Jongco, Artemio R. Jongco, Jr. and Joel Jongco against [herein respondent]. In said complaint for unlawful detainer, it was alleged that they are the lessors of a residential house located at No. 42 Big Horseshoe Drive, Horseshoe Village, Quezon City [subject property] which was leased to [respondent] at a monthly rental of P17,000.00. The action was instituted on the ground of [respondent's] failure to pay rentals from May 23, 1997 to December 22, 1998 despite repeated demands. [Respondent] denied the non-payment of rentals and alleged that he made an advance payment of P825,000.00 when he paid for the repairs done on the leased property.

After trial, the Metropolitan Trial Court (MeTC) decided in favor of [petitioners] by ordering [respondent] to (a) vacate the premises at No. 42 Big Horseshoe Drive, Horseshoe Village, Quezon City; (b) pay [petitioners] the sum of P306,000.00 corresponding to the rentals due from May 23, 1997 to November 22, 1998, and the sum of P17,000.00 a month thereafter until [respondent] vacates the premises; and (c) pay [petitioners] the sum of P5,000.00 as attorney's fees.

On appeal to the Regional Trial Court (RTC) [Branch 88, Quezon City], the MeTC decision was reversed. [Respondent] was ordered to pay arrearages from May 23, 1997 up to the date of the decision but he was also given an option to choose between staying in the leased property or vacating the same, subject to the reimbursement by [petitioners] of one-

half of the value of the improvements which it found to be in the amount of P120,000.00. [Respondent] was also given the right to remove said improvements pursuant to Article 1678 of the Civil Code, should [petitioners] refuse to pay P60,000.00.

When both parties moved for the reconsideration of the RTC decision, the RTC issued an Order dated February 23, 2001 modifying its previous ruling by increasing the value of the improvements from P120,000.00 to P800,000.00.

After successive appeals to the Court of Appeals and the Supreme Court, the decision of the RTC dated November 29, 2000 which reversed the decision of the MeTC, became final and executory.<sup>[3]</sup>

Whilst respondent's appeal of the Metropolitan Trial Court (MeTC) judgment in the unlawful detainer case was pending before the RTC-Branch 88, respondent filed before the RTC-Branch 227 on November 26, 2002 a Complaint for Breach of Contract and Damages<sup>[4]</sup> against the petitioners, docketed as Civil Case No. Q-02-48341. The said complaint alleged two causes of action. The *first cause of action* was for damages because the respondent supposedly suffered embarrassment and humiliation when petitioners distributed copies of the above-mentioned MeTC decision in the unlawful detainer case to the homeowners of Horseshoe Village while respondent's appeal was still pending before the Quezon City RTC-Branch 88. The *second cause of action* was for breach of contract since petitioners, as lessors, failed to make continuing repairs on the subject property to preserve and keep it tenantable. Thus, respondent sought the following from the court *a quo*:

#### PRAYER

WHEREFORE, premises considered, it is respectfully prayed that after hearing the court render a decision against the [herein petitioners] and in favor of the [herein respondent] by -

1. Ordering [petitioners] to pay [respondent] the following amounts:
  - a) P1,500,000.00 as moral damages and consequential damages;
  - b) P500,000.00 as exemplary damages;
  - c) P425,000.00 representing the difference of the expenses of the improvements of P825,000.00 and P400,000.00 pursuant to Art. 1678 of the Civil Code;
  - d) P594,000.00 representing interest for three (3) years from 1998 to 2000 on the P825,000.00 advanced by the [respondent] at the rate of 24% per annum;
  - e) P250,000.00 as compensation for the [respondent's] labor and efforts in overseeing and attending the needs of contractors the repair/renovation of the leased premises;

f) P250,000.00, plus 20% of all recoveries from [petitioners] and P2,500.00 per hearing as attorney's fees;

g) Cost of suit.

[Respondent] further prays for such other reliefs and remedies which are just and equitable under the premises.<sup>[5]</sup>

The petitioners filed an Omnibus Motion<sup>[6]</sup> on February 18, 2003 praying for, among other reliefs, the dismissal of respondent's complaint in Civil Case No. Q-02-48341. Petitioners argued that respondent had no cause of action against them because the MeTC decision in the unlawful detainer case was a matter of public record and its disclosure to the public violated no law or any legal right of the respondent. Moreover, petitioners averred that the respondent's present Complaint for Breach of Contract and Damages was barred by prior judgment since it was a mere replication of respondent's Answer with Compulsory Counterclaim in the unlawful detainer case before the MeTC. The said unlawful detainer case was already judicially decided with finality.

On September 2, 2003, the RTC-Branch 227 issued a Resolution dismissing respondent's complaint in Civil Case No. Q-02-48341 for violating the rule against splitting of cause of action, lack of jurisdiction, and failure to disclose the pendency of a related case. The RTC-Branch 227 adjudged that Civil Case No. Q-02-48341 involved the same facts, parties, and causes of action as those in the unlawful detainer case, and the MeTC had already properly taken cognizance of the latter case.

Respondent received a copy of the RTC-Branch 227 decision in Civil Case No. Q-02-48341 on September 26, 2003. He filed a Motion for Reconsideration<sup>[7]</sup> of said judgment on October 10, 2003, which RTC-Branch 227 denied in an Order<sup>[8]</sup> dated December 30, 2003.

Respondent received a copy of the RTC-Branch 227 order denying his Motion for Reconsideration on February 20, 2004, and he filed his Notice of Appeal<sup>[9]</sup> on March 1, 2004. However, the RTC-Branch 227, in an Order<sup>[10]</sup> dated March 23, 2004, dismissed respondent's appeal for being filed out of time.

Respondent received a copy of the RTC-Branch 27 order dismissing his appeal on April 30, 2004 and he filed a Motion for Reconsideration<sup>[11]</sup> of the same on May 3, 2004. The RTC-Branch 227, in another Order<sup>[12]</sup> dated May 31, 2004, granted respondent's latest motion because it was "convinced that it is but appropriate and fair to both parties that this matter of whether or not the Appeal was filed on time, be resolved by the appellate court rather than by this Court." The RTC-Branch 227 then ordered that the records of the case be forwarded as soon as possible to the Court of Appeals for further proceedings.

The Court of Appeals, in a Resolution<sup>[13]</sup> dated February 8, 2005, resolved to give due course to respondent's appeal. Said appeal was docketed as CA-G.R. CV No.

On January 31, 2006, the Court of Appeals rendered its Decision in CA-G.R. CV No. 82610. The Court of Appeals fully agreed with the RTC-Branch 227 in dismissing respondent's second cause of action (*i.e.*, breach of contract) in Civil Case No. Q-02-48341. The appellate court, however, held that RTC-Branch 227 should have proceeded with the trial on the merits of the first cause of action (*i.e.*, damages) in Civil Case No. Q-02-48341, because "[a]lthough [herein respondent] may have stated the same factual antecedents that transpired in the unlawful detainer case, such allegations were necessary to give an overview of the facts leading to the institution of another case between the parties before the RTC acting in its original jurisdiction."<sup>[14]</sup>

The Court of Appeals then went on to find that petitioners were indeed liable to respondent for damages:

No doubt, distributing the copies was primarily intended to embarrass [herein respondent] in the community he mingled in. We are not unmindful of the fact that court decisions are public documents and the general public is allowed access thereto to make inquiries thereon or to secure a copy thereof. Nevertheless, under the circumstances of this case, although court decisions are public documents, distribution of the same during the pendency of an appeal was clearly intended to cause [respondent] some form of harassment and/or humiliation so that [respondent] would be ostracized by his neighbors. The appeal may have delayed the attainment of finality of the determination of the rights of the parties and the execution in the unlawful detainer case but it did not justify [herein petitioners'] pre-emption of the outcome of the appeal. By distributing copies of the MeTC decision, [petitioners] appeared to have assumed that the MeTC decision would simply be affirmed and therefore they tried to cause the early ouster of [respondent] thinking that a humiliated [respondent] would scurry out of the leased premises. Clearly, there was evident bad faith intended to mock [respondent's] right to appeal which is a statutory remedy to correct errors which might have been committed by the lower court.

Thus, moral damages may be awarded since [petitioners] acted in bad faith. Bad faith does not simply connote bad judgment or negligence, it imports a dishonest purpose or some moral obliquity and conscious doing of a wrong, a breach of known duty through some motive or interest or ill will that partakes of the nature of fraud. However, an award of moral damages would require certain conditions to be met, to wit: (1) first, there must be an injury, whether physical, mental or psychological, clearly sustained by the claimant; (2) second, there must be culpable act or omission factually established; (3) third, the wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) fourth, the award of damages is predicated on any of the cases stated in Article 2219 of the Civil Code.

But it must again be stressed that moral damages are emphatically not intended to enrich a plaintiff at the expense of the defendant. When

awarded, moral damages must not be palpably and scandalously excessive as to indicate that it was the result of passion, prejudice or corruption on the part of the trial court judge. For this reason, this Court finds an award of P30,000.00 moral damages sufficient under the circumstances.

On the other hand, to warrant the award of exemplary damages, the wrongful act must be accompanied by bad faith, and an award of damages would be allowed only if the guilty party acted in a wanton, fraudulent, reckless or malevolent manner. Accordingly, exemplary damages in the amount of P10,000.00 is appropriate.<sup>[15]</sup>

In the end, the Court of Appeals decreed:

WHEREFORE, the decision of the Regional Trial Court is AFFIRMED with the MODIFICATION that the case is dismissed only as to the second cause of action. As to the first cause of action, [herein petitioners] are ordered to pay [herein respondent] moral damages of P30,000.00 and exemplary damages of P10,000.00.<sup>[16]</sup>

Hence, the instant Petition for Review.

Petitioners assert that respondent's appeal of the RTC-Branch 227 Resolution dated September 2, 2003, which dismissed the latter's complaint in Civil Case No. Q-02-48341, was filed out of time. Respondent received a copy of the said resolution on **September 26, 2003**, and he only had **15 days** from such date to file his appeal, or until **October 11, 2003**. Respondent, instead, filed a Motion for Reconsideration of the resolution on **October 10, 2003**, which left him with only one more day to file his appeal. The RTC-Branch 227 subsequently denied respondent's Motion for Reconsideration in an Order dated December 30, 2003, which the respondent received on **February 20, 2004**. Respondent only had until the following day, **February 21, 2004**, to file the appeal. However, respondent filed his Notice of Appeal only on **March 1, 2004**. Hence, petitioners conclude that the dismissal of respondent's complaint in Civil Case No. Q-02-48341 already attained finality.

Petitioners argue in the alternative that the award of damages in respondent's favor has no factual and legal bases. They contend that the Court of Appeals erred in awarding moral and exemplary damages to respondent based on the bare and unproven allegations in the latter's complaint and without the benefit of any hearing or trial. While the appellate court declared that RTC-Branch 227 should have proceeded with the trial on the merits involving the action for damages, it surprisingly went ahead and ruled on petitioners' liability for said damages even without trial. Even assuming for the sake of argument that respondent's allegations in his complaint are true, he still has no cause of action for damages against petitioners, for the disclosure of a court decision, which is part of public record, did not cause any legal and compensable injury to respondent.

Respondent, on the other hand, maintains that his appeal of the September 2, 2003 Resolution of the RTC-Branch 227 to the Court of Appeals was timely filed and that