

SECOND DIVISION

[G.R. No. 135528, July 14, 2004]

**SPOUSES ORLANDO A. RAYOS AND MERCEDES T. RAYOS,
PETITIONERS, VS. THE COURT OF APPEALS AND SPOUSES
ROGELIO AND VENUS MIRANDA, RESPONDENTS.**

D E C I S I O N

CALLEJO, SR., J.:

This is a petition for review on *certiorari* of the Decision^[1] of the Court of Appeals^[2] in CA-G.R. CV No. 46727 which affirmed the Decision^[3] of the Regional Trial Court of Makati, Branch 62, in Civil Case No. 15639 for specific performance and damages, and Civil Case No. 15984 for sum of money and damages.

The two (2) cases stemmed from the following antecedent facts:

On December 24, 1985, petitioner Orlando A. Rayos, a practicing lawyer, and his wife, petitioner Mercedes T. Rayos, secured a short-term loan from the Philippine Savings Bank (PSB) payable within a period of one (1) year in quarterly installments of ₱29,190.28, the first quarterly payment to start on March 24, 1986. The loan was evidenced by a promissory note which the petitioners executed on December 24, 1985.^[4] To secure the payment of the loan, the petitioners-spouses executed, on the same date, a Real Estate Mortgage over their property covered by Transfer Certificate of Title (TCT) No. 100156 located in Las Piñas, Metro Manila.^[5]

On December 26, 1985, the petitioners, as vendors, and the respondents, Spouses Miranda, as vendees, executed a Deed of Sale with Assumption of Mortgage over the subject property for the price of ₱214,000.00. However, on January 29, 1986, the petitioners-spouses, likewise, executed a Contract to Sell the said property in favor of the respondents for ₱250,000.00 with the following condition:

3. That upon full payment of the consideration hereof, the SELLER shall execute a Deed of Absolute Sale in favor of the BUYER that the payment of capital gains tax shall be for the account of the SELLER and that documentary stamps, transfer tax, registration expenses for the transfer of title including the notarization and preparation of this Contract and subsequent documents if any are to be executed, real estate taxes from January 1, 1986 and other miscellaneous expenses shall be for the account of the BUYER; the SELLER hereby represents that all association dues has been paid but that subsequent to the execution of this Contract the payment of the same shall devolve upon the BUYER.^[6]

The petitioners obliged themselves to execute a deed of absolute sale over the property in favor of the respondents upon the full payment of the purchase price

thereof.

Respondent Rogelio Miranda filed an application dated May 4, 1986 with the PSB to secure the approval of his assumption of the petitioners' obligation on the loan, and appended thereto a General Information sheet.^[7] Respondent Rogelio Miranda stated therein that he was the Acting Municipal Treasurer of Las Piñas and had an unpaid account with the Manila Banking Corporation in the amount of ₱18,777.31. The PSB disapproved his application. Nevertheless, respondent Rogelio Miranda paid the first quarterly installment on the petitioners' loan on March 21, 1986 in the amount of ₱29,190.28. The said amount was paid for the account of the petitioners. Respondent Rogelio Miranda, likewise, paid the second quarterly installment in the amount of ₱29,459.00 on June 23, 1986, also for the account of the petitioners.^[8]

In the meantime, respondent Rogelio Miranda secured the services of petitioner Orlando Rayos as his counsel in a suit he filed against the Manila Banking Corporation, relative to a loan from the bank in the amount of ₱100,000.00. Both parties agreed to the payment of attorney's fees, as follows:

Our agreement is as follows:

1. You will pay me ₱700.00 as filing fee and other miscellaneous expenses which I personally received from you this morning;
2. Award to you of any amount in terms of moral, exemplary or actual and other forms of damages shall accrue to you in the amount of 70% thereof;
3. 30% of the award to you in the concept of No. 2 hereof shall pertain to me as my contingent fee;
4. All attorney's fees that the court shall award to me or by the management of TMBC if they agree to extrajudicially settle shall pertain exclusively to me;
5. Execution of judgment expenses shall be for your account;
6. Should the case be appealed, my contingent fee shall increase by 10% if the appeal is to the Intermediate Appellate Court on questions of facts and law, and if appealed from there to the Supreme Court, then another 10% shall accrue to me.^[9]

On May 14, 1986, petitioner Orlando Rayos filed respondent Rogelio Miranda's complaint against the bank with the Regional Trial Court of Makati, docketed as Civil Case No. 13670.^[10] In the meantime, the latter paid the third quarterly installment on the PSB loan account amounting to ₱29,215.66, for which the bank issued a receipt for the account of the petitioners.

The parties executed a Compromise Agreement in Civil Case No. 13670 in which they agreed that each party shall pay for the respective fees of their respective counsels.^[11] The trial court rendered judgment on October 23, 1986 based on the

said compromise agreement.^[12] Petitioner Orlando Rayos demanded the payment of attorney's fees in the amount of ₱5,631.93, but respondent Rogelio Miranda refused to pay.

On November 12, 1986, petitioner Orlando Rayos wrote to respondent Rogelio Miranda and enclosed a copy of his motion in Civil Case No. 13670 for the annotation of his attorney's lien at the dorsal portion of the latter's title used as security for the loan with the Manila Banking Corporation.^[13] The respondent opposed the motion, claiming that the petitioner agreed to render professional services on a contingent basis.^[14]

Petitioner Orlando Rayos again wrote respondent Rogelio Miranda on November 30, 1986, reminding the latter of the last quarterly payment of his loan with the PSB. He also advised the respondent to thereafter request the bank for the cancellation of the mortgage on his property and to receive the owner's duplicate of his title over the same. Petitioner Orlando Rayos also wrote that their dispute over his attorney's fees in Civil Case No. 13670 should be treated differently.^[15]

Petitioner Orlando Rayos then received a Letter dated November 27, 1986 from the PSB, reminding him that his loan with the bank would mature on December 24, 1986, and that it expected him to pay his loan on or before the said date.^[16] Fearing that the respondents would not be able to pay the amount due, petitioner Orlando Rayos paid ₱27,981.41^[17] to the bank on December 12, 1986, leaving the balance of ₱1,048.04. In a Letter dated December 18, 1986, the petitioner advised the PSB not to turn over to the respondents the owner's duplicate of the title over the subject property, even if the latter paid the last quarterly installment on the loan, as they had not assumed the payment of the same.^[18]

On December 24, 1986, respondent Rogelio Miranda arrived at the PSB to pay the last installment on the petitioners' loan in the amount of ₱29,223.67. He informed the bank that the petitioners had executed a deed of sale with assumption of mortgage in their favor, and that he was paying the balance of the loan, conformably to said deed. On the other hand, the bank informed the respondent that it was not bound by said deed, and showed petitioner Orlando Rayos' Letter dated December 18, 1986. The respondent was also informed that the petitioners had earlier paid the amount of ₱27,981.41 on the loan. The bank refused respondent Rogelio Miranda's offer to pay the loan, and confirmed its refusal in a Letter dated December 24, 1986.^[19]

On even date, respondent Rogelio Miranda wrote the PSB, tendering the amount of ₱29,223.67 and enclosed Interbank Check No. 01193344 payable to PSB.^[20] Thereafter, on December 29, 1986, the petitioners paid the balance of their loan with the bank in the amount of ₱1,081.39 and were issued a receipt therefor.^[21] On January 2, 1987, the PSB wrote respondent Rogelio Miranda that it was returning his check.^[22]

On January 2, 1987, respondent Rogelio Miranda filed a complaint against the petitioners and the PSB for damages with a prayer for a writ of preliminary attachment with the RTC of Makati. The case was docketed as Civil Case No. 15639 and raffled to Branch 61 of the court. The respondent alleged *inter alia* that the

petitioners and the PSB conspired to prevent him from paying the last quarterly payment of the petitioners' loan with the bank, despite the existence of the deed of sale with assumption of mortgage executed by him and the petitioners, and in refusing to turn over the owner's duplicate of TCT No. 100156, thereby preventing the transfer of the title to the property in his name. Respondent Rogelio Miranda prayed that:

WHEREFORE, it is respectfully prayed that judgment be rendered in favor of plaintiff and against defendants, ordering the latter, jointly and severally, as follows:

- A. To pay to plaintiff the sum of ₱267,197.33, with legal interest from date of demand, as actual or compensatory damages representing the unreturned price of the land;
- B. To pay to plaintiff the sum of ₱500,000.00 as consequential damages;
- C. To pay to plaintiff the sum of ₱1,000,000.00 as moral damages;
- D. To pay to plaintiff the sum of ₱100,000.00 as exemplary damages by way of example or correction for the public good;
- E. To pay to plaintiff the sum of ₱100,000.00 for and as attorney's fees;
- F. To pay for the costs of suit; and
- G. That a Writ of Attachment be issued against the properties of defendant Rayos spouses as security for the satisfaction of any judgment that may be recovered.

PLAINTIFF FURTHER PRAYS for such other remedies and relief as are just or equitable in the premises.^[23]

The trial court granted the respondent's plea for a writ of preliminary attachment on a bond of ₱260,000.00. After posting the requisite bond, the respondent also filed a criminal complaint against petitioner Orlando Rayos for *estafa* with the Office of the Provincial Prosecutor of Makati, docketed as I.S. No. 87-150. He, likewise, filed a complaint for disbarment in this Court against petitioner Orlando Rayos, docketed as Administrative Case No. 2974. Unaware of the said complaint, the petitioner wrote the respondent on January 3, 1986 that as soon as his payment to the PSB of ₱29,223.67 was refunded, the owner's duplicate of the title would be released to him.^[24] On January 5, 1986, petitioner Orlando Rayos wrote respondent Rogelio Miranda, reiterating that he would release the title in exchange for his cash settlement of ₱29,421.41.^[25] The respondent failed to respond.

In the meantime, the PSB executed on January 8, 1987 a Release of Real Estate Mortgage in favor of the petitioners,^[26] and released the owner's duplicate of title of TCT No. 100156.^[27] On January 17, 1987, petitioner Orlando Rayos wrote respondent Rogelio Miranda, reiterating his stance in his Letters of January 3 and 5, 1987.

In the meantime, the petitioners received the complaint in Civil Case No. 15639 and filed their Answer with Counterclaim in which they alleged that:

14. That plaintiff has no cause of action against defendants Rayos, the latter are willing to deliver the title sought by plaintiff under the terms set out in their letters dated January 3, 5, 17, and 20, hereto marked as Annexes "1," "1-A," "1-B" and "1-C;"^[28]

Petitioner Orlando Rayos filed a complaint on February 1, 1987 against respondent Rogelio Miranda with the Regional Trial Court of Makati, docketed as Civil Case No. 15984 for Specific Performance with Damages for the collection of the amount of ₱29,223.67 which he had paid to the PSB on December 12 and 19, 1986, and his attorney's fees in Civil Case No. 13670. The trial court consolidated the cases in Branch 62 of the RTC.

Respondent Rogelio Miranda filed an Amended Complaint in Civil Case No. 15639 for specific performance with damages, impleading the officers of the PSB as parties-defendants. He alleged that of the purchase price of the property of ₱214,000.00, he had paid the entirety thereof to the petitioners, and that petitioner Orlando Rayos acted unethically in trying to collect ₱5,631.93 from him as his attorney's fees in Civil Case No. 13670, and in having such claim annotated at the dorsal portion of his title over the property he mortgaged to the Manila Banking Corporation.

Respondent Rogelio Miranda prayed that, after due proceedings, judgment be rendered in his favor, thus:

WHEREFORE, it is respectfully prayed that judgment be rendered in favor of plaintiff and against defendants, as follows:

- A. Ordering defendants spouses Orlando A. Rayos and Mercedes T. Rayos to deliver forthwith to plaintiff the Owner's Duplicate of Transfer Certificate of Title No. 100156, Registry of Deeds for Pasay City;
- B. Ordering defendants, jointly and severally, to pay to plaintiff the sum of ₱1,000,000.00 as moral damages;
- C. Ordering defendants, jointly and severally, to pay to plaintiff the sum of ₱867,197.33 as exemplary damages by way of example or correction for the public good;
- D. Ordering defendants, jointly and severally, to pay to plaintiff the sum of ₱100,000.00 for and as attorney's fees;
- E. Ordering defendants, jointly, to pay the costs of suit; and
- F. Ordering the issuance of a Writ of Attachment against the properties of defendants Rayos spouses as security for the satisfaction of any judgment that may be recovered.

PLAINTIFF further prays for such other remedies and relief as are just or equitable in the premises.^[29]