

FIRST DIVISION

[G.R. NO. 149875, April 02, 2007]

AMA COMPUTER COLLEGE, INC., PETITIONER, VS. ATTY. A. D. VALMONTE, RESPONDENT.

DECISION

SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant Petition for Review on Certiorari^[1] assailing the Decision^[2] dated April 20, 2001 and Resolution^[3] dated September 6, 2001 of the Court of Appeals in CA-G.R. CV No. 54302, entitled "*AMA Computer College, Inc.*, plaintiff-appellant, versus *Atty. A.D. Valmonte*, defendant-appellee."

On April 16, 1991, petitioner AMA Computer College, Inc. (AMA), an educational institution established and existing under the laws of the Philippines, filed with the Regional Trial Court (RTC), Branch 150, Makati City a complaint for suspension as an attorney against Atty. A. D. Valmonte, respondent, under Section 27^[4] and Section 28,^[5] Rule 138 of the Revised Rules of Court. The case was docketed as Civil Case No. 91-1038.

The complaint alleges that sometime in 1983, petitioner AMA and Emilio V. Tayao executed a contract of lease over the latter's parcel of land in Makati City. The parties agreed, among others, that the period of the lease shall be for six (6) years; that the land will be used by petitioner as site for its school; and that it has an option to purchase the property.

When petitioner was about to exercise its option to buy the land, Tayao commenced a scheme to frustrate the former's plan by obtaining a loan from an absent party — the FELN International Corporation (FELN). To secure the loan, he executed three (3) simulated promissory notes amounting to P4.5 million in favor of FELN. The notes were without any consideration.

Allegedly, Tayao defaulted in the payment of the loan. So, on July 13, 1989, FELN, through its alleged president Lai Chen Hsung, filed with the RTC, Branch 59, Makati City a fabricated complaint for collection of a sum of money against Tayao, docketed as Civil Case No. 89-4567. FELN's counsel was respondent Atty. A. D. Valmonte.

On July 24, 1989, Tayao and FELN executed a Compromise Agreement whereby the former will pay the loan on or before July 31, 1989. This Compromise Agreement was approved by the trial court in its Compromise Judgment dated August 8, 1989.

Subsequently, FELN filed with the trial court a motion for execution of its Compromise Judgment alleging that Tayao failed to comply with his obligation on time, specifically to pay his loan of P50 million. The motion was granted. Eventually, the building occupied by petitioner was levied upon by the sheriff.

Petitioner then filed with the trial court a motion to lift the order of levy and execution but it was denied on the ground that the Compromise Judgment has become final and executory. This prompted petitioner to file with the RTC, Branch 59 a complaint for suspension as attorney against respondent. Petitioner alleged therein that respondent committed fraudulent acts by filing a "mock action" for sum of money against Tayao based on fictitious promissory notes. Respondent's purpose was to deprive petitioner of its option to buy the subject property which, because of the levy on execution, disrupted the academic operation of its school with 3,000 students.

In his answer (with counterclaim) to petitioner's complaint, respondent alleged that there was no lawyer-client relationship between him and Tayao. The Compromise Judgment in Civil Case No. 89-4567 has long become final and executory and bars petitioner from assailing the same.

On September 4, 1990, the trial court issued an Order dismissing the complaint for non-suit and authorized respondent to adduce his evidence *ex-parte*. Petitioner filed a motion for reconsideration which was partly granted by the trial court by allowing counsel to cross-examine respondent.

On May 17, 1996, the trial court rendered its Decision^[6] in favor of respondent, ordering petitioner to pay the latter P300,000.00 as moral damages and P50,000.00 as attorney's fees, holding that:

From the testimonial and documentary evidence presented by the defendant, the Court is convinced that the filing of this case for the suspension of defendant from the practice of law had unnecessarily and unjustly maligned his professional reputation, competence and integrity. Being in the active practice of law for 40 years, 27 years of which were spent in the law firm of William H. Quasha as senior partner, it is difficult to believe that defendant would resort to fraud and deceit in the exercise of his profession. x x x

On appeal, the Court of Appeals, in its Decision promulgated on April 20, 2001, affirmed the Decision of the trial court with modification in the sense that the moral damages and attorney's fees were reduced to P100,000.00 and P25,000.00, respectively.

Petitioner filed a motion for reconsideration, but it was denied by the appellate court in its Resolution dated September 6, 2001.

Hence, the instant petition for review on certiorari.

Petitioner contends that the Court of Appeals erred in affirming the Decision of the trial court finding that its complaint against respondent was filed in bad faith; and in awarding respondent moral damages and attorney's fees.

In his comment, respondent prays that the petition be dismissed on the ground of *res judicata*.

The petition lacks merit.