

## SECOND DIVISION

[ G.R. No. 220479, August 17, 2016 ]

**PASDA, INCORPORATED, PETITIONER, VS. REYNALDO P. DIMAYACYAC, SR., SUBSTITUTED BY THE HEIRS, REPRESENTED BY ATTY. DEMOSTHENES D. C. DIMAYACYAC, RESPONDENT.**

### DECISION

#### **MENDOZA, J.:**

This Petition for Review on *Certiorari* seeks to reverse and set aside the September 8, 2015 Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA-G.R. SP No. 133647, which affirmed with modification the December 17, 2013 Decision<sup>[2]</sup> of the Regional Trial Court, Branch 215, Quezon City (RTC), upholding the March 12, 2013 Decision<sup>[3]</sup> of the Metropolitan Trial Court, Branch 36, Quezon City (MeTC) in a complaint for Sum of Money.

#### **The Antecedents**

In March 1999, petitioner PASDA, Incorporated (*PASDA*) and respondent Reynaldo P. Dimayacyac, Sr. (*Dimayacyac*) entered into a Contract of Lease<sup>[4]</sup> of Suite 506 PASDA Mansion in Quezon City with a monthly rental of P17,000.00, plus 10% Value-Added Tax (VAT), and two percent (2%) interest per month in case of default. Dimayacyac, as lessee, was also to pay the utility costs for the said unit. The lease contract also provided that, in case of litigation, Dimayacyac should pay liquidated damages in the sum of P10,000.00 and attorney's fees equivalent to 25% of the amount claimed in the complaint.<sup>[5]</sup>

On July 16, 2005, Dimayacyac vacated the unit leaving an outstanding arrearage for monthly rentals, 10% VAT, and utility costs, in the aggregate amount of P340,071.00. Pursuant to paragraph 24 of the lease contract, PASDA took possession of Dimayacyac's articles and equipment found in the rented unit and prepared an inventory of the said items. In spite of the lapse of the agreed 30-day period to settle his obligations and the demand letters sent to him, he still failed to pay his outstanding obligation.

On May 11, 2007, PASDA filed a complaint<sup>[6]</sup> for sum of money before the MeTC against Dimayacyac to collect the outstanding obligation in the amount of P340,071.00.

#### *The MeTC Ruling*

In its March 12, 2013 Decision, the MeTC found Dimayacyac liable for the amount claimed in PASDA's complaint. It, however, reduced the amount from P340,071.00 to P16,271.00 because it deducted the value of the items confiscated by PASDA,

which amounted to P323,800.00. Further, the MeTC reduced the interest rate from 2% per month to 6% per annum and awarded P20,000.00 as attorney's fees. The dispositive portion of the said decision reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant, ordering the latter to pay the former as follows:

1. The amount of Sixteen thousand two hundred seventy-one pesos (P16,271.00), plus interest of six percent (6%) per annum reckoned from September 22, 2006 until the whole obligation is fully paid;
2. The amount of Twenty thousand pesos (P20,000.00) as and for attorney's fees; and
3. To pay the costs of suit.

SO ORDERED.<sup>[7]</sup>

Unsatisfied with the reduction of the monetary award, PASDA appealed before the RTC.

#### *The RTC Ruling*

In its December 17, 2013 decision, the RTC affirmed in *toto* the MeTC ruling. It held that the provisions of the lease contract were valid and had the force and effect of law, and bound the parties; and that Dimayacyac could no longer assail the provisions therein which he claimed to be confiscatory. The RTC noted that as a lawyer, Dimayacyac could have asked for the amendment or revision of the contract, instead of merely noting his objection thereto. The RTC also agreed with the MeTC in the monetary awards granted to PASDA.

Unconvinced, PASDA filed a petition for review before the CA.

#### *The CA Ruling*

In its September 8, 2015 Decision, the CA affirmed with modification the RTC decision. The appellate court opined that it was appropriate to deduct the value of the mentioned items from Dimayacyac's total liability. It cited paragraph 23 of the lease contract, which authorized PASDA to retain Dimayacyac's properties inside the leased unit, in case of the latter's default, and to dispose the same in a private sale and apply the proceeds thereof against the outstanding obligation. This forfeiture clause, according to the CA, was ruled to be valid by the Court in *Fort Bonifacio Development Corp. v. Yllas Lending Corp.* (Fort Bonifacio).<sup>[8]</sup>

The appellate court further stated that, upon Dimayacyac's default, PASDA exercised its right to retain his properties under the forfeiture clause but it opted not to sell the same in a private sale. It also stated that the courts below did not err in the valuation of the retained items as it was based on an inventory list of Dimayacyac's properties with their corresponding prices, which was admitted in open court by PASDA's own witness.

Moreover, the CA affirmed the reduction of the interest rate and the attorney's fees.

It said that the courts could reduce the amount even if it had been agreed upon, if the rate stipulated was unconscionable taking into consideration the circumstances of the case. The appellate court noted that the partial payment of the obligation warranted the reduction of the interest rate and the attorney's fees. The CA, however, awarded P10,000.00 as liquidated damages, as prayed for by PASDA because it was stipulated under the lease contract. Thus, it disposed:

WHEREFORE, premises considered, the instant petition is hereby DENIED. The Decision dated December 17, 2013 of the Regional Trial Court, Branch 215, Quezon City is hereby AFFIRMED with MODIFICATION in that respondents Reynaldo P. Dimayacyac, Sr., substituted by his heirs, represented by Atty. Demosthenes D.C. Dimayacyac, are ordered to pay petitioner PASDA, Incorporated the amount of P16,271.00 plus legal interest of six percent (6%) per annum from September 22, 2006 until fully paid; P10,000.00 as liquidated damages; and P20,000.00 as attorney's fees. Moreover, from the finality of this Decision until full satisfaction, the total amount due shall likewise earn another interest at six percent (6%) per annum until fully satisfied.

SO ORDERED.<sup>[9]</sup>

In the course of the proceedings before the CA, Dimayacyac died and he was substituted by his heirs as respondents.

Hence, this appeal instituted by PASDA raising the following:

### **ISSUES**

#### **I**

**WHETHER THE COURT OF APPEALS GRIEVOUSLY ERRED IN ITS INTERPRETATION OF THE PROVISIONS OF PARAGRAPH 24 OF THE CONTRACT OF LEASE THAT THE VALUES OF THE ARTICLES OF DIMAYACYAC WHICH WERE RETAINED BY (NOT FORFEITED TO) THE PETITIONER SHOULD BE DEDUCTED FROM THE UNPAID RENTAL ACCOUNTABILITIES OF DIMAYACYAC;**

#### **II**

**WHETHER THE COURT OF APPEALS GRIEVOUSLY ERRED IN ITS APPRECIATION OF THE EVIDENCE ON THE VALUATION OF THE SAID RETAINED (NOT FORFEITED) ARTICLES BY GIVING DUE WEIGHT AND CREDENCE TO THE BARE AND SELF-SERVING VALUATION WHICH HAVE NOT BEEN SUPPORTED BY ANY EVIDENCE;**

#### **III**

**WHETHER THE COURT OF APPEALS ERRED IN REDUCING THE AMOUNT OF THE ATTORNEY'S FEES CONTRARY TO THE EXPRESS STIPULATION IN THE CONTRACT OF LEASE; AND**

## IV

### **WHETHER THE COURT OF APPEALS ERRED IN REDUCING THE STIPULATED RATE OF INTEREST TO BE IMPOSED ON THE UNPAID ACCOUNTABILITIES OF DIMAYACYAC TO ONLY SIX PER CENT (6%) CONTRARY TO THE EXPRESS STIPULATION IN THE CONTRACT OF LEASE.<sup>[10]</sup>**

PASDA asserts that the value of the items it had retained should not have been deducted from Dimayacyac's unpaid obligation, claiming that, under paragraph 24, not paragraph 23, of the lease contract, it merely had the right, and not the obligation, to sell the items in case of the lessee's default and apply the proceeds thereof to the remaining balance. PASDA explains that it decided to file the present action after it was unable to sell the said articles. It insists that it did not appropriate Dimayacyac's properties for itself and merely retained them until they could be sold under execution of a final judgment in this case.

Likewise, PASDA assails the valuation of the items in the inventory list as the corresponding prices were merely added or inserted by Dimayacyac. It claims that at the time the parties signed the inventory, no price for each item was indicated. Thus, PASDA bewails that its representatives merely admitted the contents of the inventory but not their monetary value. Moreover, it avers that it was improper to reduce the interest rate and the attorney's fees as these were stipulated in the lease contract.

#### *Respondents' Position*

In their Comment,<sup>[11]</sup> dated April 4, 2016, the respondent heirs countered that the petition should be summarily dismissed because PASDA failed to indicate in its certificate against forum shopping that they had filed their Motion for Partial Reconsideration<sup>[12]</sup> of the September 8, 2015 CA decision. They noted that PASDA filed its opposition thereto and their motion was denied by the CA in its Resolution,<sup>[13]</sup> dated January 11, 2016.

Moreover, the respondents contended that PASDA was estopped from questioning the RTC decision because they had already complied with the same. In his Manifestation of Compliance,<sup>[14]</sup> dated February 4, 2014, Dimayacyac stated that he would no longer appeal the RTC decision as he voluntarily complied with it by paying the judgment award in the amount of P43,511.60, through a China Bank check, which was allegedly accepted by PASDA as evidenced by the acknowledgment receipt signed by its counsel.

The respondents further argued that the courts *a quo* correctly deducted the values of the articles from Dimayacyac's obligations because PASDA's representative admitted in open court that she was aware of the contents of the inventory, and as such, could no longer deny the values thereof. They also agreed that the interest rates and the attorney's fees should be reduced because the proper interest imposed as indemnity for damages, if the debtor would incur delay in his payment of a sum of money, was 6%, and that attorney's fees could not even be recovered because no premium should be placed on the right to litigate.

Meanwhile, the respondents prayed that the CA decision should be modified as the running of the period within which the 6% interest must apply should stop as of February 4, 2014 when Dimayacyac made a full payment of the judgment award rendered by the RTC; and that they should not be made to pay the award of damages and attorney's fees, but should be enforced against Dimayacyac's estate as provided under Rule 86 of the Revised Rules of Court.

#### *PASDA Reply*

In its Reply,<sup>[15]</sup> dated April 26, 2016, PASDA manifested that its failure to mention the filing of the respondents' motion for partial reconsideration in its certification against forum shopping was simply due to inadvertence. PASDA noted that it was an excusable mistake because it received its copy of the motion several days after its filing of the motion for extension of time to file a petition for review on *certiorari* before the Court.

PASDA reiterated that its representative only admitted to the contents of the inventory but not the values thereof. Likewise, it also denied the respondents' claim that it had accepted the China Bank check as judgment award because in its Counter-Manifestation,<sup>[16]</sup> dated February 10, 2014, PASDA categorically stated that it had appealed the RTC decision to the CA, so, it was not yet final and there was nothing yet to be complied with; and that they were rejecting the check as payment for its money claims, which they returned to Dimayacyac.

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

The petition has merit.

*Proceedings involving different issues need not be stated in the certification against forum shopping*

Forum shopping is the simultaneous or successive institution of two or more actions or proceedings involving the same parties for the same cause of action with the hope that one or the other court would make a favorable disposition.<sup>[17]</sup> It vexes the courts and the litigants because different courts are asked to rule on the same or related causes, raising the same issues and praying for similar reliefs, which creates the possibility of conflicting decisions rendered by two different tribunals.<sup>[18]</sup>

In the case at bench, PASDA's certification against forum shopping complied with existing rules and regulations, notwithstanding that the respondents' motion for partial reconsideration was never mentioned therein. PASDA was not obliged to state the said motion in its certification against forum shopping because it involved different issues and relief compared to the present petition before this Court.

*Parties are bound by the literal meaning of the contract in the absence of ambiguity*

Contracts have the force of law between the parties, and unless the stipulations are contrary to laws, morals, good customs, public order, or public policy, the same are binding as between the parties.<sup>[19]</sup> Except when the terms are ambiguous, the literal meaning of a contract's stipulation is controlling.<sup>[20]</sup> The courts cannot enforce the contract contrary to its express terms, otherwise, it would trample the