

FIRST DIVISION

[G.R. No. 154559, October 05, 2011]

**THE LAW FIRM OF RAYMUNDO A. ARMOVIT, PETITIONER, VS.
COURT OF APPEALS AND BENGSON COMMERCIAL BUILDING,
INC., RESPONDENTS.**

D E C I S I O N

LEONARDO-DE CASTRO, J.:

Petitioner Law Firm of Raymundo A. Armovit (Armovit Law Firm) captioned the present action as a "Petition and/or Motion for Execution." As a Petition for *Certiorari*, petitioner assails the Resolutions of the Court of Appeals in CA-G.R. CV No. 43099 dated November 28, 1996,^[1] August 27, 2001^[2] and June 11, 2002,^[3] as well as the Orders of the Regional Trial Court (RTC) of San Fernando, La Union in Civil Case No. 2794 dated February 24 and June 7, 1993. As a Motion for Execution, petitioner seeks the execution of the 1991 Decision of this Court in G.R. No. 90983, entitled *Law Firm of Raymundo A. Armovit v. Court of Appeals*.^[4]

On August 20, 1965 and November 23, 1971, Bengson Commercial Building, Inc. (BCBI) obtained loans from the Government Service Insurance System (GSIS) in the total amount of P4,250,000.00, secured by real estate and chattel mortgages. When BCBI defaulted in the payment of the amortizations, GSIS extrajudicially foreclosed the mortgaged properties and sold them at public auction where it emerged as the highest bidder.^[5]

With the Armovit Law Firm as its counsel, BCBI filed an action to annul the extrajudicial foreclosure on June 23, 1977 with the then Court of First Instance (CFI) of La Union. The action was docketed as Civil Case No. 2794. After trial, the CFI, by then renamed Regional Trial Court, rendered a Decision: (1) nullifying the foreclosure of BCBI's mortgaged properties; (2) ordering the cancellation of the titles issued to GSIS and the issuance of new ones in the name of BCBI; (3) ordering BCBI to pay GSIS P900,000.00 for the debenture bonds; and (4) directing GSIS to (a) restore to BCBI full possession of the foreclosed properties, (b) restructure the P4.25 Million worth of loans at the legal rate of interest from the finality of the judgment, (c) pay BCBI P1.9 Million representing accrued monthly rentals and P20,000.00 rental monthly until the properties are restored to BCBI's possession, and (d) pay the costs.^[6]

GSIS appealed to the Court of Appeals. The appeal was docketed as CA-G.R. CV No. 09361. It appears that the Armovit Law Firm ceased to be the counsel of BCBI sometime before the appeal of GSIS. The said law firm and BCBI dispute the legality of the replacement, with BCBI claiming that the Armovit Law Firm had been remiss in its duties as BCBI's counsel.

On January 19, 1988, the Court of Appeals affirmed the RTC Decision with

modification. The dispositive portion of the Decision of the appellate court reads:

WHEREFORE, we affirm the appealed decision with MODIFICATION, as follows:

1. The foreclosure and auction sale on February 10, 1977 of BENGSON's properties covered by real estate and chattel mortgages mentioned in the notice of sale issued by the La Union provincial sheriff are set aside.

2. The writ of possession issued to GSIS as the highest bidder by the defunct Court of First Instance, sitting as a cadastral court, as a consequence of said foreclosure sale, is annulled.

3. The Register of Deeds of La Union is ordered to cancel the present certificates of title covering those properties and issue new ones in lieu thereof in the same names and with the same annotations, terms and conditions, including the mortgage in question, as appeared (sic) in the previous certificates of title as of the date BENGSON constituted the mortgage on those properties in favor of GSIS, it being understood that all expenses to be incurred incidental to such title cancellation and issuance shall be borne by GSIS.

4. GSIS is ordered to restore to BENGSON full possession of those mortgaged properties situated in San Fernando, La Union.

5. All properties under the mortgage in question, including those parcels of land situated in San Fernando, La Union and in Quezon City, shall remain under mortgage in favor of GSIS.

6. GSIS is ordered to restructure BENGSON's loan as promised, the restructuring to proceed from the premise that as of the foreclosure date, i.e. February 10, 1977, BENGSON had paid GSIS an aggregate amount of P286,000.00 on the subject loan.

7. The interest rates per annum stated in the first and second mortgage loan contracts entered into between BENGSON and GSIS, as well as all other terms and conditions provided for therein -- except as qualified by the subsequent agreement of the parties regarding the promised loan restructuring and deferment of foreclosure by reason of the arrearages incurred -- shall remain as originally stipulated upon by the parties.

8. BENGSON is ordered to pay GSIS the debenture bond with an aggregate face value of P900,000.00 at the stipulated interest rate of 14% per annum, quarterly; and to pay 14% interest per annum, compounded monthly, on the interest on said debenture bond, that had become due quarterly, in accordance with the stipulations provided for therein.

9. GSIS shall reimburse BENGSON the monthly rent of P20,000.00 representing income produced by one of the latter's mortgaged properties, i.e., the Regent Theatre building, from February 15,

1977 until GSIS shall have restored the full possession of said building, together with the land on which it stands, to BENGSON.

10. The entire record of this case is ordered remanded to the trial court and the latter is directed to ascertain whether such mortgaged properties as machineries, equipment, and other movie paraphernalia, etc., are in fact no longer in existence per report of the provincial sheriff, as well as to determine their replacement value if GSIS fails to return them; and, as prayed for by BENGSON, to receive evidence from the parties on the costs of suit awarded to it.

No pronouncement as to cost of this appeal. (Emphasis supplied.)^[7]

The Decision of the Court of Appeals became final and executory on February 10, 1988 and the records were remanded to the court *a quo* on March 14, 1988. The GSIS did not file a Motion for Reconsideration or an appeal therefrom.^[8]

The subsequent proceedings were summarized by this Court in its Decision in G.R. No. 90983,^[9] which is now the subject of petitioner's Motion for Execution:

It x x x appears that when Atty. Armovit sought execution with the court *a quo*, he was informed by Romualdo Bengzon, president of the respondent corporation, that the firm had retained the services of Atty. Pacifico Yadao. He was also informed that the company would pay him the agreed compensation and that Atty. Yadao's fees were covered by a separate agreement. The private respondent, however, later ignored his billings and over the phone, directed him allegedly not to take part in the execution proceedings. Forthwith, he sought the entry of an attorney's lien in the records of the case. The lower court allegedly refused to make the entry and on the contrary, issued an order ordering the Philippine National Bank to "release to the custody of Mr. Romualdo F. Bengzon and or Atty. Pacifico Yadao" the sum of P2,760,000.00 (ordered by the Court of Appeals as rentals payable by the Government Service Insurance System).

Atty. Armovit then moved, apparently for the hearing of his motion to recognize attorney's lien, and thereafter, the trial court issued an order in the tenor as follows:

When this case was called for hearing on the petition to record attorney's charging lien, Attys. Armovit and Aglipay appeared for the petitioners.

Atty. Armovit informed the Court that they are withdrawing the petition considering that they are in the process of amicably settling their differences with the plaintiff, which manifestation was confirmed by Atty. Yadao as well as the plaintiffs, Romualdo Bengson and Brenda Bengson, who are present today.

In view of this development, the petition to record attorney's charging lien, the same being in order and not contrary to law, morals and public policy, as prayed for by Attys. Armovit and Aglipay, it is hereby withdrawn. The parties, therefore are hereby directed to comply faithfully with their respective obligations.

SO ORDERED.

However, upon the turnover of the money to the private respondent, Mrs. Brenda Bengson (wife of Romualdo Bengson) delivered to Atty. Armovit the sum of P300,000.00 only. Atty. Armovit protested and demanded the amount of P552,000.00 (twenty percent of P2,760,000.00), for which Mrs. Bengson made assurances that he will be paid the balance.

On November 4, 1988, however, Atty. Armovit received an order emanating from the trial court in the tenor as follows:

During the hearing on the petition to record attorney's charging lien on October 11, 1988, Attys. Armovit and Aglipay withdrew their petition to record attorney's charging lien, which was duly approved by the Court, after which the Court directed the parties to comply faithfully with their respective obligations.

In compliance with the Order of this Court, the plaintiff submitted a pleading denominated as compliance alleging that petitioner (Atty. Armovit) has already received from the plaintiff the sum of P300,000.00, Philippine Currency, as and by way of attorney's fees. With the receipt by the petitioner from the plaintiff of this amount, the latter has faithfully complied with its obligation.

WHEREFORE, the Order of this Court dated October 11, 1988 approving the withdrawal of the petition to record attorney's charging lien, on motion of the petitioner, is now final.

SO ORDERED.

Reconsideration having been denied, Atty. Armovit went to the Court of Appeals on a petition for certiorari and prohibition.

On August 25, 1989, the Court of Appeals rendered judgment dismissing the petition. Reconsideration having been likewise denied by the Appellate Court, Atty. Armovit instituted the instant appeal.^[10]

This Court rendered its Decision in the foregoing case on September 27, 1991. The

relevant portions of the Decision, including the *fallo* thereof, are quoted hereunder:

The disposition of the Court of Appeals was that since the receipt evidencing payment to Atty. Armovit of the sum of P300,000.00 "was without any qualification as 'advance' or 'partial' or 'incomplete'," the intention of the parties was that it was full payment. The Appellate Court also noted Atty. Armovit's withdrawal of his motion to record attorney's lien and figured that Atty. Armovit was satisfied with the payment of P300,000.00.

The only issue is whether or not Atty. Armovit is entitled to the sum of P252,000.00 more, in addition to the sum of P300,000.00 already paid him by the private respondent.

There is no question that the parties had agreed on a compensation as follows:

- a) P15,000.00 by way of acceptance and study fee, payable within five (5) days from date;
- b) 20% contingent fee computed on the value to be recovered by favorable judgment in the cases; and
- c.) the execution and signing of a final retainer agreement complete with all necessary details.

(While the parties' agreement speaks of "a final retainer agreement" to be executed later, it does not appear that the parties did enter into a "final" agreement thereafter.)

The private respondent's version however is that while it may be true that the agreed compensation was twenty percent of all recoveries, the parties later agreed on a compromise sum approved allegedly by the trial court, per its Order of October 11, 1988.

x x x x

Contingent fees are valid in this jurisdiction. It is true that attorney's fees must at all times be reasonable; however, we do not find Atty. Armovit's claim for "twenty percent of all recoveries" to be unreasonable. In the case of *Aro v. Nañawa*, decided in 1969, this Court awarded the agreed fees amid the efforts of the client to deny him fees by terminating his services. In parallel vein, we are upholding Atty. Armovit's claim for P252,000.00 more -- pursuant to the contingent fee agreement -- amid the private respondent's own endeavours to evade its obligations.

x x x x

WHEREFORE, premises considered, the petition is GRANTED. The private