

SECOND DIVISION

[G.R. No. 165147, July 09, 2008]

**PHILIPPINE FIRST INSURANCE CO., INC. AND PARAMOUNT
GENERAL INSURANCE CORPORATION, PETITIONERS, VS.
PYRAMID LOGISTICS AND TRUCKING CORPORATION
(FORMERLY PANACOR INTEGRATED WAREHOUSING AND
TRUCKING CORPORATION), RESPONDENT.**

DECISION

CARPIO MORALES, J.:

The issue, in the main, in the present case is whether respondent, Pyramid Logistics and Trucking Corporation (Pyramid), which filed on November 7, 2001 a complaint, [1] denominated as one for *specific performance and damages*, against petitioners Philippine First Insurance Company, Inc. (Philippine First) and Paramount General Insurance Corporation (Paramount) before the Regional Trial Court (RTC) of Makati, docketed as Civil Case No. 01-1609, paid the correct docket fee; if in the negative, whether the complaint should be dismissed or Pyramid can still be ordered to pay the fee.

Pyramid sought to recover the proceeds of two insurance policies issued to it, Policy No. IN-002904 issued by petitioner Paramount, and Policy No. MN-MCL-HO-00-0000007-00 issued by petitioner Philippine First. Despite demands, petitioners allegedly failed to settle them, hence, it filed the complaint subject of the present petition.

In its complaint, Pyramid alleged that on November 8, 2000, its delivery van bearing license plate number PHL-545 which was loaded with goods belonging to California Manufacturing Corporation (CMC) valued at PESOS NINE HUNDRED SEVEN THOUSAND ONE HUNDRED FORTY NINE AND SEVEN/100 (P907,149.07) left the CMC Bicutan Warehouse but the van, together with the goods, failed to reach its destination and its driver and helper were nowhere to be found, to its damage and prejudice; that it filed a criminal complaint against the driver and the helper for qualified theft, and a claim with herein petitioners as co-insurers of the lost goods but, in violation of petitioners' undertaking under the insurance policies, they refused without just and valid reasons to compensate it for the loss; and that as a direct consequence of petitioners' failure, despite repeated demands, to comply with their respective undertakings under the Insurance Policies by compensating for the value of the lost goods, it suffered damages and was constrained to engage the services of counsel to enforce and protect its right to recover compensation under said policies, for which services it obligated itself to pay the sum equivalent to twenty-five (25%) of any amount recovered as and for attorney's fees and legal expenses. [2]

Pyramid thus **prayed**

. . . that after due proceedings, judgment be rendered, ordering [herein petitioners] to comply with their obligation under their respective Insurance Policies by paying to [it] jointly and severally, the claims arising from the subject losses.

THAT, [herein petitioners] be adjudged jointly and severally to pay to [it], in addition to the foregoing, the following:

1. The sum of PHP 50,000.00 plus PHP 1,500.00 for each Court session attended by counsel until the instant [case] is finally terminated, as and for attorney's fees;
2. The costs of suit[;]^[3] (Underscoring supplied)

and for other reliefs just and equitable in the premises.^[4]

Pyramid was assessed P610 docket fee, apparently on the basis of the amount of P50,000 **specified** in the prayer representing attorney's fees, which it duly paid.^[5]

Pyramid later filed a 1st Amended Complaint^[6] containing minor changes in its body^[7] but bearing the same prayer.^[8] Branch 148 of the Makati RTC to which the complaint was raffled admitted the Amended Complaint.^[9]

Petitioners filed a Motion to Dismiss on the ground of, *inter alia*, lack of jurisdiction, Pyramid not having paid the docket fees in full, arguing thus:

x x x x

In the *body* of the Amended Complaint, plaintiff alleged that the goods belonging to California Manufacturing Co., Inc. (CMC) is [*sic*] "valued at Php907,149.07" and consequently, "plaintiff incurred expenses, suffered damages and was constrained to engage the services of counsel to enforce and protect its right to recover compensation under the said policies and for which services, it obligated itself to pay the sum equivalent to twenty-five (25%) of any recovery in the instant action, as and for attorney's fees and legal expenses".

On the other hand, in the *prayer* in the Complaint, plaintiff deliberately omitted to specify what these damages are. x x x

x x x x

Verily, this deliberate omission by the plaintiff is clearly intended for no other purposes than to evade the payment of the correct filing fee if not to mislead the docket clerk, in the assessment of the filing fee. In fact, the docket clerk in the instant case charged the plaintiff a total of **Php610.00** only as a filing fee, which she must have based on the amount of **Php50,000.00** [attorney's fees] only.^[10] (Emphasis in the original; italics and underscoring supplied)

Petitioners cited^[11] *Manchester Development Corporation v. Court of Appeals*^[12] which held:

x x x [A]ll complaints, petitions, answers and other similar pleadings should **specify the amount of damages** being prayed for not only in the **body** of the pleading but **also in the prayer**, and said damages shall **be considered in the assessment of the filing fees in any case**. Any pleading that fails to comply with this requirement shall not be accepted or admitted, or shall otherwise be expunged from the record.^[13] (Emphasis and underscoring supplied)

They cited too *Sun Insurance Office, Ltd. v. Asuncion*^[14] which held that "[i]t is not simply the filing of the complaint or appropriate pleading, but the payment of the prescribed docket fee, that vests a trial court with jurisdiction over the subject-matter or nature of the action."^[15]

Petitioners thus concluded:

With the above cases as a backdrop, the Supreme Court, in revising the rules of pleading and practice in the 1997 Rules of Civil Procedure, added a tenth ground to a Motion to Dismiss - to wit, "[t]hat a condition precedent for filing claim [*sic*] has not been complied with.["]

On the contrary, if plaintiff would insist that its claim against the defendants is only Php50,000.00 plus Php 1,500.00 as appearance fee per court hearing, then it follows that it is the Metropolitan Trial Court which has jurisdiction over this case, not this Honorable Court. Such amount is way below the minimum jurisdictional amount prescribed by the rules in order to confer jurisdiction to the Regional Trial Court.^[16] (Underscoring supplied)

To the Motion to Dismiss Pyramid filed its Opposition,^[17] alleging that if there was a mistake in the assessment of the docket fees, the trial court was not precluded from acquiring jurisdiction over the complaint as "it has the authority to direct the mistaken party to complete the docket fees in the course of the proceedings . . ."^[18] The Opposition merited a Reply^[19] from petitioners.

By Order of June 3, 2002, the trial court^[20] denied the Motion to Dismiss in this wise:

x x x x

Indeed, a perusal of the Complaint reveals that while plaintiff made mention of the value of the goods, which were lost, the prayer of plaintiff did not indicate its exact claim from the defendants. The Complaint merely prayed defendants "*to comply with their obligation under their respective insurance policies by paying to plaintiff jointly and severally, the claims arising from the subject losses*" and did not mention the amount of PHP907,149.07, which is the value of the goods and which is also the subject of insurance. This resulted to the assessment and payment of docket fees in the amount of P610 only. The Court, even without the Motion to Dismiss filed by defendant, actually noted such

omission which is actually becoming a practice for some lawyers. For whatever purpose it may be, the Court will not dwell into it. In this instant case, **this being for specific performance,** it is not dismissible on that ground but unless proper docket fees are paid, the Court can only grant what was prayed for in the Complaint.

x x x x^[21] (Emphasis and underscoring supplied)

Petitioners' Motion for Reconsideration^[22] of the denial of their Motion to Dismiss having been denied^[23] by Order of August 1, 2002, they filed their Answer with Compulsory Counterclaim *ad Cautelam*,^[24] alleging that they intended to file a Petition for Certiorari with the Court of Appeals.^[25]

Petitioners did indeed eventually file before the Court of Appeals a Petition for Certiorari (With Preliminary Injunction and Urgent Prayer for Restraining Order)^[26] posing the following two of three queries, viz:

First. Does [Pyramid's] deliberate omission to pay the required correct docket and filing fee vest the trial court [with] jurisdiction to entertain the subject matter of the instant case?

Second. [Is] the instant case an action for specific performance or simply one for damages or recovery of a sum of money?

x x x x^[27]

By Decision of June 3, 2004,^[28] the Court of Appeals partially granted petitioners' petition for certiorari by setting aside the trial judge's assailed orders and ordering Pyramid to file the correct docket fees within a reasonable time, it holding that while the complaint was denominated as one for specific performance, it sought to recover from petitioners Pyramid's "claims arising from the subject losses." The appellate court ratiocinated:

x x x x

Indeed, it has been held that "it is not simply the filing of the complaint or appropriate initiatory pleading, but the payment of the prescribed docket fee that vests a trial court with jurisdiction over the subject matter or nature of the action." To determine the docket fees, it is necessary to **determine the true nature of the action by examining the allegations of the complaint.** x x x

x x x x

While the captions of the complaint and 1st amended complaint denominated the case as one for "Specific Performance and Damages", the allegations and prayer therein show that the specific performance sought by private respondent was for petitioners to "comply with their obligation under their respective Insurance Policies by **paying to plaintiff jointly and severally, the claims arising from the subject losses**" as well as the attorney's fees and costs of suit. Obviously, what

constitutes specific performance is the payment itself by petitioners of private respondent's claims arising from the losses it allegedly incurred. x x x^[29]

x x x x

Public respondent should have ordered private respondent to pay the correct docket fees on the basis of the allegations of the complaint. x x x

x x x x

While it has been held in Manchester Development Corporation vs. Court of Appeals x x x that "any pleading that fails to comply with this requirement of specifying the amount of damages not only in the body of the pleading but also in the prayer shall not be accepted nor admitted, or shall otherwise be expunged from the record," this rule was relaxed in subsequent cases, wherein payment of the correct docket fees was allowed within a reasonable time. . .

x x x x^[30] (Emphasis and underscoring supplied)

Thus the appellate court disposed:

WHEREFORE, the petition is partially granted. The Orders dated June 3, 2002 and August 1, 2002 of public respondent are partially set aside insofar as they dispensed with the payment of the correct docket fees. Consequently, [Pyramid] is hereby directed to pay the correct docket fees on the basis of the losses alleged in the body of the complaint, plus the attorney's fees mentioned in the prayer, within a reasonable time which should not go beyond the applicable prescriptive or reglementary period. In all other respects, the said Orders are affirmed.^[31] (Underscoring supplied)

Petitioners filed a Motion for Reconsideration^[32] of the appellate court's decision. Pyramid filed its Comment and Opposition to the Motion for Reconsideration,^[33] arguing thus:

x x x x

In the present case, [Pyramid] thru its Complaint simply sought from petitioners compliance with their contractual undertaking as insurers of the goods insured which were lost in [its] custody. Private respondent did not specify the extent of petitioners' obligation as it left the matter entirely in the judgment of the trial court to consider. Thus, the Complaint was labeled "*Specific Performance*" which [Pyramid] submitted to the Clerk of Court for assessment of the docket fee, after which, it paid the same based on the said assessment. There was no indication whatsoever that [Pyramid] had refused to pay; rather, it merely argued against petitioners' submissions as it maintained the correctness of the assessment made.^[34] (Underscoring supplied)