

SECOND DIVISION

[G.R. No. 169298, July 09, 2008]

LAW FIRM OF TUNGOL & TIBAYAN, PETITIONER, VS. COURT OF APPEALS AND SPOUSES RENATO M. INGCO & MA. LUISA S. INGCO, RESPONDENTS.

DECISION

QUISUMBING, J.:

This petition for review assails the Decision^[1] dated March 17, 2005 of the Court of Appeals in CA-G.R. SP No. 85540, denying, among others, the prayer of petitioner Law Firm of Tungol & Tibayan for a greater sum of contingent attorney's fees. Said Decision had reversed and set aside the April 30, 2004 Resolution^[2] of the Office of the President, granting the law firm additional attorney's fees.

The facts are as follows:

Private respondents Renato M. Ingco and Ma. Luisa S. Ingco hired the services of petitioner law firm to enforce delivery of a land title covering a 300-square meter lot in Tivoli Royale Subdivision, Quezon City. Atty. Abelardo M. Tibayan, a partner in said law firm, specified in a letter to respondent Renato Ingco that the graduated attorney's fees the firm would charge would depend on the circumstances of the case. This agreement was embodied in Atty. Tibayan's "Case Referral and Acceptance Confirmation,"^[3] (hereinafter referred to as contract) dated November 9, 1998.

In behalf of the Ingcos, the law firm filed a Complaint^[4] against Villa Crista Monte Realty and Development Corporation, Inc. (Villa Crista) before the Housing and Land Use Regulatory Board (HLURB). The complaint alleged that the Ingcos had paid the contract price of P5.1 million for the lot, but Villa Crista did not deliver the title to the Ingcos and refused to execute the final deed of sale in their favor.

After a series of negotiations, Villa Crista entered into a compromise agreement^[5] with the Ingcos to refund P4,845,000 with interest, and in case of breach, P200,000 liquidated damages. The HLURB approved the compromise and rendered a judgment upon compromise on December 21, 1999. Despite the compromise agreement, however, Villa Crista did not pay the Ingcos. This prompted the HLURB to issue a writ of execution,^[6] ordering the *ex-officio* sheriff of the Regional Trial Court (RTC) to execute the judgment. The writ required Villa Crista to refund to the spouses Ingco P5,081,856; to pay them P200,000 liquidated damages; and to seize, garnish or levy any property of Villa Crista to satisfy the judgment.

The *ex-officio* sheriff levied and auctioned ten lots belonging to Villa Crista.^[7] The spouses bought three of the ten lots at a bid price of P7,193,505.56, which includes

the P5.1 million contract price for the 300- square meter lot, P1,350,000 attorney's fees and other expenses. The sheriff issued final deeds of sale^[8] to the Ingcos after Villa Crista failed to redeem the three lots within the redemption period.

Thereafter, in a Letter^[9] dated August 2, 2001, the Ingcos terminated the law firm's services. They alleged that they had already paid the law firm P1.5 million in attorney's fees. In a Letter^[10] dated August 8, 2001, petitioner's Atty. Danilo N. Tungol wrote the Ingcos and expressed his surprise at the termination of their firm's services since, to their knowledge, the spouses were satisfied with its services. Atty. Tungol contended that the spouses terminated the law firm's services because they merely wanted to escape paying the firm. Atty. Tibayan also wrote the Ingcos a similar letter.^[11]

The law firm eventually also filed with the HLURB a Motion and Statement of Claim for Attorney's Lien^[12] on August 20, 2001, and a Motion to Enforce the Attorney's Lien^[13] on November 12, 2001. Both motions sought to recover 25% of the excess of the existing prevailing selling price or fair market value of the three levied lots over the total bid price and expenses of P7,193,505.56.^[14] It also filed a damage suit^[15] against its former clients before the RTC.

According to the law firm, the spouses Ingco still owed attorney's fees of P4,506,500 on top of the advance payment of P1.5 million. It asserted that as agreed upon in their contract, the law firm shall be entitled to additional attorney's fees equivalent to 25% of the excess of the price value of the three lots over the total bid price and expenses in case Villa Crista fails to redeem the three lots the spouses bought in the auction sale. Since the lots were not redeemed, the property was consolidated in the name of the spouses. The additional attorney's fees, according to the law firm, were due because of the additional benefit derived by the spouses since the three lots which Villa Crista failed to redeem were worth more than the bid price and expenses the spouses paid. Allegedly, the three lots measuring 1,378 square meters, were worth P17,000 per square meter or P23,426,000. Petitioner also claimed that after the consolidation of the titles, it allegedly prepared a motion for titling of the property in the name of the Ingcos, but the latter allegedly took all original copies of the final deeds and subsequently terminated its services.

The Ingcos opposed^[16] the aforementioned motions, contending that it terminated the services of the firm because it demanded P70,000 for notarial fees. They explained that the three lots would cost only P7,500 and not P17,000 per square meter, as claimed by the firm.

In an Order^[17] dated December 10, 2001, HLURB Arbiter Rowena C. Balasolla, granted the Motion and Statement of Claim for Attorney's Lien and ordered the annotation of the said attorney's lien on Transfer Certificates of Title (TCT) Nos. 162238, 162319 and 162350.

The spouses Ingco sought reconsideration of the order but its motion for reconsideration was denied. In an Order^[18] dated May 6, 2003, HLURB Arbiter Balasolla also granted the firm's Motion to Enforce Attorney's Lien, and ordered the spouses jointly and severally, to pay the firm P4,506,500.

The HLURB Board,^[19] on appeal, reversed the arbiter's order. In a Decision^[20] dated October 8, 2003, the HLURB Board declared that a realized gain of P23,426,000 was premature; that the payment of P1.5 million was more than sufficient and reasonable compensation; and that the firm was not entitled to an additional compensation of P4,506,500.

The firm appealed to the Office of the President. In a Resolution dated April 30, 2004, the Office of the President set aside the HLURB's decision and affirmed the arbiter's order. It also denied the spouses' motion for reconsideration.^[21]

On March 17, 2005, the HLURB Regional Director Jesse A. Obligation issued a writ of execution,^[22] ordering the Ingcos to pay the firm P4,506,500.

On appeal, the Court of Appeals reversed and set aside the Resolution of the Office of the President. The appellate court ruled,

WHEREFORE, premises considered, the petition for review with prayer for injunction is **GRANTED**. The Resolution and Order dated April 30, 2004 and July 9, 2004, respectively, of the Office of the President in O.P. Case No. 03-J-620 are hereby **REVERSED** and **SET ASIDE** and the decision dated October 8, 2003 of the HLURB Board of Commissioners is **REINSTATED**. The HLURB arbiter concerned is hereby permanently **ENJOINED** from executing or implementing the orders dated December 10, 2001 and May 6, 2003.

SO ORDERED.^[23]

Petitioner's motion for reconsideration with motion for inhibition^[24] was denied. Hence, this petition via Rule 45 of the Rules of Court.

Petitioner law firm contends that the appellate court committed the following errors:

I.

THE ACT OF RESPONDENT COURT IN INTERPRETING AND MAKING ITS OWN CONSTRUCTION OF THE CLEAR AND UNAMBIGUOUS TERMS OF THE CONTRACT BETWEEN PETITIONER AND PRIVATE RESPONDENT IS NOT IN ACCORD WITH LAW AND APPLICABLE DECISIONS OF THE SUPREME COURT.

II.

[THE] ASSAILED DECISION [,] SOLELY BASED ON RESPONDENT COURT'S INTERPRETATION AND OWN CONSTRUCTION OF THE CONTRACT, WHICH WAS NEVER RAISED AS AN ISSUE, AMOUNTS TO DEPRIVATION OF PETITIONER'S FUNDAMENTAL RIGHT TO DUE PROCESS.

III.

THE REFUSAL OF THE HONORABLE JUSTICES OF RESPONDENT COURT

TO VOLUNTAR[IL]Y INHIBIT THEMSELVES DESPITE [THE] JUSTIFICATIONS PETITIONER RAISED, IS NOT IN ACCORD WITH SECTION 1, RULE 137 OF THE REVISED RULES OF COURT AND DEPARTS FROM THE ACCEPTED AND NORMAL COURSE OF JUDICIAL DISPOSITIONS.^[25]

Simply, the issues for our resolution are: (1) Did the Court of Appeals commit reversible error when it interpreted the allegedly unambiguous terms of the contract? (2) Did the Court of Appeals justices err in refusing to inhibit themselves from the case?

Invoking Article 1370^[26] of the Civil Code and citing jurisprudence, petitioner argues that the Court of Appeals erred in interpreting a clear and unambiguous contract. It insists that a clearly worded contract leaves no doubt on the intention of the parties, and requires no interpretation but only literal application. It points out that the appellate court and respondents did not even say that the terms of the contract are unclear and ambiguous.^[27]

According to the law firm, the Court of Appeals erred when it concluded that since the subject of the contract was only the lot worth P5.1 million, and it was only the delivery of title or refund of its value which petitioner committed to enforce, these should be the only basis for attorney's fees. Petitioner counters that the contract contained no wording to that effect and the parties had no such intention for otherwise, the contract would have been so worded. Petitioner insists that it is not the province of the courts to amend a contract by construction, nor to make a new contract for the parties, interject material stipulations, nor even to read into the contract words which it did not contain.^[28]

The law firm likewise stressed that the compromise, judgment, execution, levy, sale and finally, consolidation of ownership in favor of private respondents constitute a series of events which petitioner persistently aimed at and worked on. The identification of the three lots was the result of its continuous and tedious search and verifications of the numerous properties of the erring developer, which were traced by petitioner. According to the law firm, after the levy, the developer even attempted to defeat the sale of the three lots by submitting affidavits of adverse claims, but the law firm thwarted the attempt. Petitioner avers there was no truth to the claims of the Ingcos that it was not through the law firm's efforts that the three lots were recovered because those were acquired through the execution sale. To entertain such premise, says petitioner, would allegedly render nugatory every contract for legal services, and then every counsel, despite his efforts, would not deserve his fees every time execution sale became necessary to enforce judgment.^[29]

In their comment,^[30] the Ingcos explain that they were in disbelief when petitioner charged them P70,000 as notarization fee for the final deeds. They had the same deeds notarized by another lawyer for only P900. Further, the law firm would not let them borrow the case files such that their relationship turned sour, prompting them to terminate the services of the firm. They deny gaining any extra material benefit from the auction of the three lots and stress that they even doubt whether any benefit would accrue to them, considering the numerous claims annotated on the titles. The spouses add that the Court of Appeals did not interpret the contract, but

applied its literal meaning to the facts of the case in accord with law and jurisprudence.

At this juncture, as to the interpretation of contracts, we invite attention to Article 1370, paragraph 1 of the Civil Code which states that: "If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control. If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former."

Moreover, as we recently held:

A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the contract as a matter of law. If the contract is determined to be ambiguous, then the interpretation of the contract is left to the court, to resolve the ambiguity in the light of the intrinsic evidence.^[31]

The Court of Appeals, in this case before us, faced a situation where there were opposing interpretations of the parties as to the meaning and application of the disputed contract.

To the extent here relevant, we find that the contract reads as follows:

Dear Mr. Ingco:

We hereby accept the legal referral you made and confirm our decision and commitment to make legal and/or extrajudicial representations for and in your behalf. In its professional capacity, the firm shall enforce delivery of title covering a lot you purchased at P5,100,000.00 or refund of said amount plus interest, in your favor, by Villa Crista Monte Realty and Development Corporation, Inc. and/or Crisencio Tio.

x x x x

2. In case the firm succeeds to recover upon mere sending of a demand letter, it shall be entitled to five (5%) per cent of the value of property protected/recovered, amount of claim collected or the total interests (including gains) which actually inure to your benefit, as a result of filing of the case, **whichever is higher**, as its attorney's fee;

x x x x

5. In case recovery/collection is made by virtue of a final judgment, the firm shall be entitled to an attorney's fee equivalent to TWENTY FIVE (25%) per cent based on that mentioned above (No. 2) [;]