



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

JAIME P. ADRIANO and
LEGASPI TOWERS 300, INC.

Petitioners,

G.R. No. 197842

Present:

- versus -

VELASCO, JR., *J.*, Chairperson,
PERALTA,
ABAD,
MENDOZA, and
LEONEN, *JJ.*

ALBERTO LASALA and
LOURDES LASALA,
Respondents.

Promulgated:

October 9, 2013

Macapian

X ----- X

DECISION

MENDOZA, *J.*:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking the reversal of the September 13, 2010 Decision¹ and the July 18, 2011 Resolution² of the Court of Appeals (*CA*) in CA-G.R. CV No. 70768, which denied the appeal of Legaspi Towers 300, Inc. (*LT300*) and affirmed with modification the March 9, 2001 Decision³ of the Regional Trial Court of Manila, Branch 46 (*RTC*), holding the petitioners liable for the illegal termination of the Security Service Contract entered into with Alberto and Lourdes Lasala acting in the name of Thunder Security and Investigation Agency (*respondents*).

¹ *Rollo*, pp. 34-52. Penned by Associate Justice Bienvenido L. Reyes (now member of this Court), with Associate Justice Estela M. Perlas-Bernabe (now member of this Court) and Associate Justice Elihu A. Ybanez, concurring.

² *Id.* at 55-59

³ *Id.* at 115-141. Penned by Judge Artemio S. Tipon.

The Facts

On September 25, 1992, in order to protect and secure its premises against theft, pilferage, arson, robbery, vandalism, and other illegal acts directed at unit owners, officers and personnel, petitioner entered into a security service contract with respondents for a period of one year ending on September 25, 1993.

On October 18, 1992, respondents received a letter signed by petitioner Jaime P. Adriano (*Adriano*), the building administrator, reminding them of their non-compliance with the security services agreement, among which were the failure to assign security guards with the required height and educational attainment, and the failure to provide the agreed service vehicle. In compliance, respondents relieved and replaced the unqualified personnel with Adriano's recommendees. A Ford Fiera was also produced although parked in a nearby area as no space in the building was available.

Despite their positive responses, respondents received another letter, dated October 21, 1992, reiterating the same instances of non-compliance. Dismayed, they talked to Adriano who replied with an invitation to hold a meeting. Respondents agreed.

In the scheduled meeting, Adriano mentioned that the differences could only be settled by cooperating with each other. He then requested from respondents the payment of ₱18,000.00, of which ₱5,000 would be given to petitioner Emmanuel Santos, the LT300 President; ₱3,000.00 to Captain Perez; and the rest to Adriano himself. These payments were requested in return for acting as the bridge in resolving the issues. The respondents came across, but the petitioners demanded another equivalent amount in another meeting in November.

Thereafter, a series of correspondence between the parties took place, with the petitioners constantly reiterating respondents' alleged violations of the service contract. In the last letter, they added another grievance – non-payment of the minimum wage. In an attempt to finally settle the issues, respondents sought audience before the LT300 Board but to no avail. The Board, without giving respondents an opportunity to explain, terminated the contract as voted upon in a meeting held on January 28, 1993.

On February 8, 1993, respondents filed a complaint for damages alleging that LT300 and Adriano illegally terminated their services.

On March 9, 2001, the RTC ruled in favor of respondents. It held that the September 25, 1992 agreement could only be terminated for a valid cause; that respondents neither committed any violation nor failed to give security services to LT300; that respondents were not given their right to be heard under the fundamental principle of due process of law; and that respondents were entitled to all the benefits and considerations due them. The dispositive portion of the decision reads:

WHEREFORE, judgment is hereby rendered:

I. holding that plaintiffs have not violated the AGREEMENT dated September 25, 1992 that would constitute a valid cause for termination of said AGREEMENT before its expiration date on September 25, 1993.

II. ordering the defendants to pay jointly and severally the plaintiffs the following damages:

- a) the shortage of the salary given to plaintiffs for the period from Feb. 16-26, 1993**₱19,549.89;**
- b) the benefit/compensation of plaintiffs from Feb. 26, 1993 to Sept. 25, 1993 (7 ½ months) to which they are entitled.**₱1,604,362.50;**
- c) moral damages **₱ 500,000.00;**
and
- d) exemplary damages **₱ 250,000.00;**
[and]
- e) attorney's fees**₱50,000.00** with interest at the legal rate on letters (a) and (b) from the filing of the complaint on February 8 1993.

III. Costs shall be paid by the defendants jointly and severally; and

IV. The counterclaims of defendants are dismissed for lack of merit.

IT IS SO ORDERED.⁴

On appeal, the CA categorized as baseless and flimsy all the allegations thrown against respondents thereby affirming the RTC ruling but with modification as to the award of damages, to wit:

⁴ Id. at 140-141.

WHEREFORE, considering the foregoing premises, the Decision of the Regional Trial Court of Manila (Branch 46) dated March 9, 2001 is AFFIRMED with modifications, to wit:

“WHEREFORE, judgment is hereby ordered:

- V. holding that plaintiffs have not violated the AGREEMENT dated September 25, 1992, that would constitute a valid cause for termination of said AGREEMENT before its expiration date on September 25, 1993.
- VI. ordering the defendant-appellant LT300 with defendants Jaime P. Adriano and Emmanuel T. Santos to pay jointly and severally the plaintiffs the following damages:
 - a) *the shortage of the salary given to plaintiffs for the period from Feb. 16 – 26, 1993.....P 19,549.89*
 - b) *temperate damages.....P 200,000.00*
 - c) *moral damages.....P 100,000.00*
 - d) *exemplary damages.....P 50,000.00*
 - e) *attorney’s fees.....P50,000.00*
with interest at the legal rate on letter(a) from the filing of the complaint on February 8, 1993;
- VII. Costs shall be paid by the defendant-appellant jointly and severally with defendants Jaime P. Adriano and Emmanuel T. Santos.
- VIII. The counterclaims of defendants are dismissed for lack of merit.”

SO ORDERED.⁵

The petitioners filed their motion for reconsideration but it was denied by the CA on July 18, 2011.

Hence, this petition.

The petitioners present for evaluation the following errors:

I.

The Honorable Court of Appeals seriously erred in holding that no breach, substantial or otherwise, was committed by the respondents that would warrant the pre-termination of the Security Service Contract (Agreement) with the petitioner LT 300.

⁵ Id. at 52-53.

II.

The Honorable Court of Appeals gravely erred in awarding temperate damages as there is clearly no pecuniary loss, from the facts of the case, suffered by the respondents as a direct consequence of the termination of the Security Service Contract (Agreement).

III.

The Honorable Court of Appeals gravely erred in awarding moral and exemplary damages as well as attorney's fees considering that the circumstances as laid down by law that would warrant such award are not present in the instant case.

In advocacy of their position, petitioner LT300 argues (1) that the failure to provide the service vehicle was not a baseless allegation culled out of thin air as respondents' lack of parking space argument was unbelievable and should not have been given credence; (2) that the failure to pay the minimum wage, as allegedly proven during trial, was a substantial violation of the agreement; (3) that the award of temperate damages was not in order as the CA even found that the award of actual damages had no basis; (4) that no sufficient proof of bad faith was provided as to warrant the award of moral and exemplary damages; and (5) that ample opportunity to rectify was given to respondents, but they ignored the same.

Respondents counter that the alleged violation in the hiring of unqualified personnel could not be their fault because it was made at the behest and recommendation of Adriano under the instructions of the LT300 Board. As to the lack of an agreed service vehicle, respondents explain that the Ford Fiera's parking at a distance of about five (5) meters from Marina Subdivision was sufficient compliance already considering that no parking space was provided by LT300. Regarding the charge of non-payment of minimum wage, respondents aver that it was unsubstantiated as no document of complaint was presented. With regard to the award of damages, respondents echo the ruling of the CA.⁶

The Issues

Thus, the following issues remain to be resolved by this Court:

⁶ Id. at 84.

Whether the CA erred in holding the petitioners liable for illegal pre-termination of contract.

and

Whether the CA erred in awarding temperate damages, moral damages, exemplary damages, and attorney's fees to respondents.

The Court's Ruling

This Court finds no merit in the petition.

No Violation of the Contract by Respondents

In this case, the petition is primarily anchored on whether respondents breached the subject security services agreement. In the case of *Engr. Apolinario Dueñas v. Alice Guce-Africa*,⁷ it was held that the determination of the existence of a breach of contract is a factual matter not usually reviewable in a petition filed under Rule 45. The philosophy behind this rule is that the Court is not a trier of facts. There are, however, well-established exceptions, as reiterated by this Court in *Development Bank of the Philippines v. Traders Royal Bank*,⁸ to wit:

The jurisdiction of the Court in cases brought before it from the appellate court is limited to reviewing errors of law, and findings of fact of the Court of Appeals are conclusive upon the Court since it is not the Court's function to analyze and weigh the evidence all over again. Nevertheless, in several cases, the Court enumerated the exceptions to the rule that factual findings of the Court of Appeals are binding on the Court: (1) when the findings are grounded entirely on speculations, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to that of the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set

⁷ G.R. No. 165679, October 5, 2009, 603 SCRA 11.

⁸ G.R. No. 171982, August 18, 2010, 628 SCRA 404.

forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.

The petitioners failed to cite in their petition the presence of any of the above circumstances to warrant the factual re-evaluation of this case. The Court, therefore, will not review, much less reverse, the factual findings of the CA especially where such findings coincide with those of the RTC.

Aside from this point, the Court affirms the conclusion of the CA as to the first assignment of error for reasons hereinafter recited.

First, respondents cannot be faulted for the absorption of personnel who failed to meet the minimum qualifications of at least 2nd year of college and 5'6" in height. As observed by the RTC, two letters containing a list of recommended individuals were sent on various dates to respondents.⁹ On the representation that it was made with the approval of the Board, which was even confirmed during the trial as true by petitioner and LT300 President Santos, respondents readily hired Adriano's recommendees even if they lacked the qualifications stated in the agreement.¹⁰ Obviously, this hiring was strongly influenced by the petitioners and as such respondents cannot be blamed for giving in to their behests. To this Court, it is ridiculous and unfair to allow the petitioners to use this ground in terminating respondents' services when, in truth, they were active participants in the selection and hiring process.

Second, the CA was correct in ruling that the petitioners' complaints as to the non-provision of service vehicle and non-payment were groundless and flimsy. Evidence on record does not support the position that the minimum wage of the security guards were not being paid. No proof, such as documented complaints filed by the affected employees showing non-compliance, was adduced during the trial. There is no evidence either that the non-parking of the vehicle within the LT300 premises hampered the effective delivery of security services. In fact, no untoward incident in the entire duration of the agreement was reported or proven on account of its distance. For lack of material evidence, the Court cannot bestow credence on the petitioners' position.

⁹ *Rollo*, p. 128.

¹⁰ *Id.*

Third, the petitioners were the ones who committed the breach by their abrupt and groundless termination of the agreement. Although pre-termination was allowed under the contract, the petitioners could not just invoke and exercise the same without a valid and legal ground. Turning a blind eye to the compliance already effected and subsequently terminating respondents' services smack of high handedness especially when no single incident of robbery, theft, drug addiction or prostitution was reported for the entire duration of the contract¹¹.

The petitioners are, thus, reminded that "every person must, in the exercise of his right and in the performance of his duty, act with justice, give everyone his due, and observe honesty and good faith."¹² Respondents clearly complied with their part of the obligation under the security services agreement but it appeared that whatever they did, the petitioners were bent on ending it. This exercise by petitioners of their right to pre-terminate the contracted services without a just cause was nothing but a flagrant violation of the contract.

Hence, no reversible error was committed by the CA in declaring the respondents free from any violation of the subject contract.

Moral and Exemplary Damages

Doubtless, a breach was committed by the petitioners. The question now is whether the commission was attended by bad faith or malice.

Under Article 2220 of the Civil Code, moral damages may be awarded in cases of breach of contract provided that there was fraud or bad faith, to wit:

Art. 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

To recover moral damages in an action for breach of contract, the breach must be palpably wanton, reckless and malicious, in bad faith,

¹¹ Id. at 138.

¹² Article 19, New Civil Code.

oppressive, or abusive.¹³ Hence, the person claiming bad faith must prove its existence by clear and convincing evidence for the law always presumes good faith.¹⁴

Bad faith does not simply connote bad judgment or negligence. It imports a dishonest purpose or some moral obliquity and conscious doing of a wrong, a breach of known duty through some motive or interest or ill will that partakes of the nature of fraud.¹⁵ It is, therefore, a question of intention,¹⁶ which can be inferred from one's conduct and/or contemporaneous statements.

Being a question of intention, it is necessary for this Court to examine the records to determine if the courts below indeed found bad faith in the termination of the agreement.

The CA decision to grant moral damages was grounded on the fact that the termination was effected without valid reason. The Court finds more to what the CA had observed. The inappropriate dealings of Adriano to acquire financial gain at the expense of respondents, with the approval or acquiescence of the Board; the hiring of unqualified personnel being used as a ground for termination despite the fact that such hiring was upon their recommendation; and the repeated allegations of non-compliance even if respondents had corrected already what were complained of, constituted unjust and dishonest acts schemed by the petitioners to provide an appearance of validity to the termination. These mischievous insinuations cannot escape the Court's attention as they manifested petitioners' malicious and unjust intent to do away with respondents' services. It must be noted that respondents, in the course of their engagement, were even commended for efficiency and service.

Noteworthy also is the fact that respondents were not even given time to respond to the allegations as their repeated demand for an audience before the Board went unheeded. In fact, their last request was met with an unexpected notice of termination.

¹³ *Erlando Francisco v. Ricardo Ferrer, Jr.*, 405 Phil. 745 (2001), citing *Magat v. Court of Appeals*, 392 Phil. 63 (2000); *Far East Bank & Trust Company v. Court of Appeals*, 311 Phil. 783 (1995).

¹⁴ *Id.*, citing *Ace Haulers Corporation v. Court of Appeals*, 393 Phil. 220, 230 (2000).

¹⁵ *Id.*, citing *Tan v. Northwest Airlines, Inc.*, 383 Phil. 1028 (2000), citing further *Ford Philippines, Inc. v. Court of Appeals*, 335 Phil. 1 (1997); and *Llorente, Jr. v. Sandiganbayan*, 350 Phil. 820, 843 (1998).

¹⁶ *Millena v. Court of Appeals*, 381 Phil. 132, 143 (2000).

With these in mind, the Court is convinced that the petitioners acted in bad faith and are, thus, liable for moral damages.

To warrant the award of exemplary damages, “[t]he wrongful act must be accompanied by bad faith, and an award of damages would be allowed only if the guilty party acted in a wanton, fraudulent, reckless or malevolent manner.”¹⁷ As bad faith attended the termination of the service contract agreement, there is no reason to reverse the award for exemplary damages.

Temperate Damages and Attorney’s Fees

Under Article 2224 of the Civil Code, when pecuniary loss has been suffered but the amount cannot, from the nature of the case, be proven with certainty, temperate damages may be recovered. Temperate damages may be allowed in cases where from the nature of the case, definite proof of pecuniary loss cannot be adduced, although the court is convinced that the aggrieved party suffered some pecuniary loss.¹⁸

Indisputably, respondents in this case suffered pecuniary loss because of the untimely termination of their services for no cause at all. As there is no proof capable of ascertaining the actual loss, the CA rightfully awarded temperate damages, in lieu of actual damages. The Court finds the amount of ₱200,000.00 by way of temperate damages as just and reasonable.

As to attorney’s fees, suffice it to say that because respondents were constrained to litigate to protect their interests, the award was proper.

WHEREFORE, the Court **DENIES** the petition.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

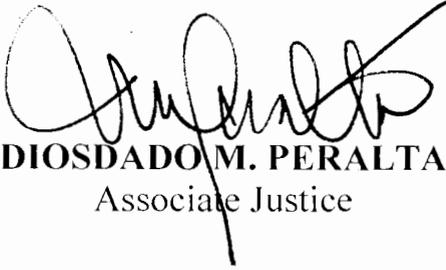
¹⁷ *Erlando Francisco v. Ricardo Ferrer, Jr.*, supra note 13, citing *Cervantes v. Court of Appeals*, 363Phil. 399 (1999).

¹⁸ *Premiere Development Bank v. Court of Appeals*, 471Phil. 704, 719 (2004).

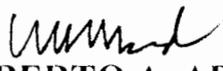
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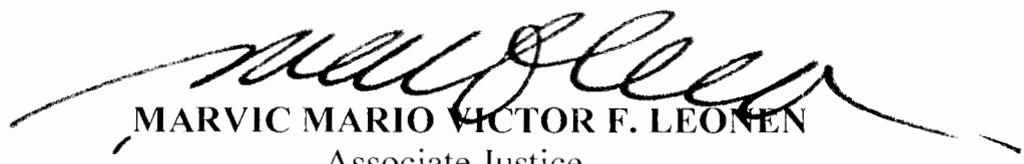
PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice



ROBERTO A. ABAD
Associate Justice



MARVIC MARIO VICTOR F. LEONEN
Associate Justice

ATTESTATION

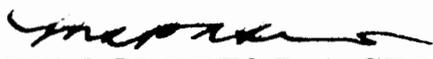
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


MARIA LOURDES P. A. SERENO
Chief Justice